FINANCIAL TIMES

Economic discipline
Will central banks throw it away?
Page 9

Tangled issues
Nations and statehood
Edward Mortimer, Page 8

Hanford Site
The world's biggest clean-up
Environment, Page 17

Penang
Troubled times on 'silicon island'
Page 5

World Business Newspaper http://www.FT.com WEDNESDAY AUGUST 14 1996

De Beers bullish on Russia's place in diamond cartel

De Beers, the South African diamond producer which controls about 60 per cent of the world diamond market, was confident on the prospects of finalising an agreement to secure Russia's participation in the Central Selling Organisation, the diamond cartel. Managing director Gary Ralfe dismissed speculation that the leakage of Russian diamonds, estimated to be worth \$40m-\$60m this year, posed a threat to the CSO. Page 11; Lex, Page 10

Germany seeks Priebke's extradition

Bonn asked Italy to extradite former SS captain Erich Priebke, 83, (left) to stand trial in Germany for alleged war crimes after an Italian tribunal freed him. The Italian military tribunal found him guilty of involvement in the 1944 massacre of 335 men and boys in Rome's Ardeatine Caves, but said it was unable to punish him because the statute of limitations on the crime had run out.

Volkswagen doubles first-half profits: German carmaker Volkswagen more than doubled first-half net profits to DM282m (\$190.5m) and delivered a record of almost 2m vehicles. Page 11; Lex, Page 10

Thyssen fraud probe extended: A further 14 executives at Thyssen were being investigated yesterday for alleged fraud. Ten executives of the German steel and engineering group were arrested last week. Page 2

More cash for Credit Lyonnais rescue: The French government said it planned a second recapitalisation of the state-backed company created as part of the rescue package for Crédit Lyonnais. Page 10

US consumer prices rise: US consumer prices rose 0.3 per cent in July, ahead of most forecasts, suggesting inflationary forces are not entirely dormant. Page 3

Manila seeks Apec unity: The Philippines is to press the Asia Pacific Economic Co-operation Forum to agree a common line on competition policy before the World Trade Organisation's ministerial meeting in December. Page 4

Suharto promotes son-in-law again: President Suharto promoted his soldier son-in-law for the second time in eight months, fuelling speculation that he is being groomed to succeed the ageing Indonesian leader. Page 10

South Africa acts against militants: South African police moved against members of the militant Moslem organisation People Against Gangsterism and Drugs in Cape Town following threats of more violence and suggestions of international involvement. Page 4

Karachi mobile phone ban to go: Pakistan is to lift a ban on the use of mobile phones in Karachi, the country's commercial capital, imposed last year for security reasons. Page 10

Fraud check delays banking licences: The Thai cabinet said three new domestic banking licences could not be awarded until an investigation was completed into allegations that the successful bidders paid bribes. Page 5

Malaysia presses Burma's Asean bid: Malaysia said Burma should be given full membership of the Association of South East Asian Nations next year. Page 5

Car demand 'to double' in east Europe: Demand for new cars is expected to double in east Europe and the former Soviet Union over 10 years, a study shows Page 4

Former British ambassador to UN dies: Sir Anthony Parsons, Britain's former ambassador to the United Nations and to Iran, has died aged 73. He played a central role in talks over the Falklands conflict and became a special adviser to the then prime minister Margaret Thatcher

Death of Portugal's first president: Marshal António de Spínola, who became Portugal's first president after the 1974 revolution, died in Lisbon. He was 86. Obituary, Page 2

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,677.81	(-27.37)
NASDAQ Composite	1,131.77	(-6.5)
Europe and Far East		
CAC40	1,990.57	(+2.4)
DAX	2,536.41	(+11.23)
FT-SE 100	3,823.4	(+20.1)
Nikkei	20,864.98	(+196.35)

US LUNCHTIME RATES

Federal Funds	$5\frac{1}{4}$%
3-mth Treas Bills: Yld	5.158%
Long Bond	$100\frac{1}{4}$
Yield	6.733%

OTHER RATES

UK: 3-mo Interbank	$5\frac{3}{4}$%	(same)
UK: 10 yr Gilt	[illegible]	[illegible]
France: 10 yr OAT	106.25	(106.26)
Germany: 10 yr Bund	98.77	(99.67)
Japan: 10 yr JGB	98.6965	(98.9682)

NORTH SEA OIL (Argus)

Brent Dated	\$20.96	(20.655)

GOLD

New York Comex		
(Dec)	\$393.2	(393.4)
London:		
close	\$387.35	(387.8)

DOLLAR

New York lunchtime		
£	1.5513	
DM	1.47475	
FFr	5.05300	
SFr	1.1977	
Y	107.5	
London:		
£	1.5511	(1.5519)
DM	1.4767	(1.4753)
FFr	5.059	(5.048)
SFr	1.2001	(1.2003)
Y	107.82	(107.575)

STERLING

DM	2.2904	(2.2895)
Tokyo close	Y 107.7	

Albania	LEK 220	Gibraltar	£0.75	Lithuania	Lit 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh18	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira60	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl5.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils600	Portugal (mainland)		Turkey	L90,000
Germany	DM4.00	Lebanon	LL3,000		Es240	UAE	Dh12.00

Bundesbank criticises G7 deficits

Report says rich nations have too much of world's financial resources

By Andrew Fisher in Frankfurt

The Bundesbank yesterday accused rich industrialised countries of absorbing too large a share of the world's financial resources and urged them to redouble efforts to cut budget deficits.

The German central bank – in a rare departure from its customary focus on domestic issues – said the financing gap, or the difference between savings and investments, of the Group of Seven countries – the US, Japan, Germany, France, Italy, the UK and Canada – was "undoubtedly a burden" for world capital markets.

By drawing constantly on the rest of the world for more capital, G7 countries, excluding Japan, had also severely weakened their own foreign asset positions, said the Bundesbank's monthly report.

The gap between savings and investment which had developed since the early 1980s among the G7 had to be met from other countries' savings, it said. This contradicted the role of industrialised countries in supplying less prosperous, but faster growing countries, with capital to help economic progress.

The Bundesbank contrasted the deficit of the industrialised countries with high overall savings rates and financial surpluses in many emerging and developing countries. It singled out fast-growing south-east Asian nations, saying an average of between 35 and 45 per cent of gross domestic product had been saved in Malaysia, Thailand, Indonesia, South Korea and Singapore between 1988 and 1993.

However, increasing economic maturity and the desire to match western living standards would lead to a decline in these figures. So it was essential for industrialised countries to match savings more closely to demand for capital, especially by cutting public sector deficits. This was being done in the US and most of Europe but "considerable further efforts" were needed.

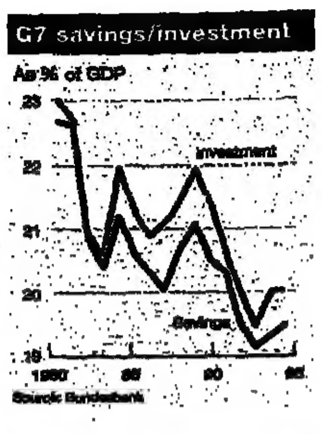
The bank said total gross savings (public and private sector) in the G7 nations had fallen from around 23 per cent of GDP in 1980 to 19.5 per cent last year. In the same period, G7 investments eased from about 23 per cent of GDP to 20 per cent. The G7 financing deficit rose in the mid-1980s to nearly 1 per cent of GDP.

This deficit decreased in the 1990s through economic weakness but has again approached 1 per cent. The financing gap was most marked in the US, where the savings rate throughout the economy was already lower than in most other industrialised countries in the 1970s.

The financing gap in the US was 2 per cent in each of the past two years against 1.4 per cent in 1990. The UK and Canada had bigger financing deficits in 1990 – 3.5 per cent and 4 per cent respectively – but because of their limited economic weight, this did not strain capital markets. Both are down to about 1 per cent.

Germany went from a 3 per cent surplus of savings over investments in 1990 to a deficit of 0.8 per cent last year due to reunification. France and Italy moved from deficit to surplus.

Japan has remained the world's largest source of finance, though its high savings and investment rates have declined. Last year, it had a financing surplus of 2.2 per cent, down on the 2.5 per cent average for 1990-95.



Powell 'interested' in serving in Dole administration

Kemp pledges clean election campaign

By Jurek Martin in San Diego

Mr Jack Kemp, the Republican vice-presidential candidate, yesterday promised a clean campaign against the Democratic ticket this autumn. He cited vice-president Al Gore as a "model" running-mate who he hoped to emulate as well as defeat.

Mr Kemp insisted that Mr Bob Dole had never asked him to be an "attack dog", a role Mr Dole himself played 20 years ago as former president Gerald Ford's running-mate.

Mr Dole is due to be voted presidential nominee tonight by the overwhelming majority of the 1,900 Republican convention delegates gathered in San Diego.

Mr Kemp's pledge followed an uplifting and enthusiastically received address on the opening night by retired general Colin Powell. His message was that the Republican party must be one of "inclusion" and he took significant exception to official party policy on issues ranging from abortion and affirmative action to immigration.

Mr Powell said yesterday he would be "interested" in serving in a Dole administration but added he had given no thought to his political plans in 2000.

Despite Mr Kemp's pledge, there were signs, both from some delegates and from the podium, that many Republicans are reluctant to forswear personal attacks against President Bill Clinton and his wife and remain intolerant of those who prefer more moderate social policies.

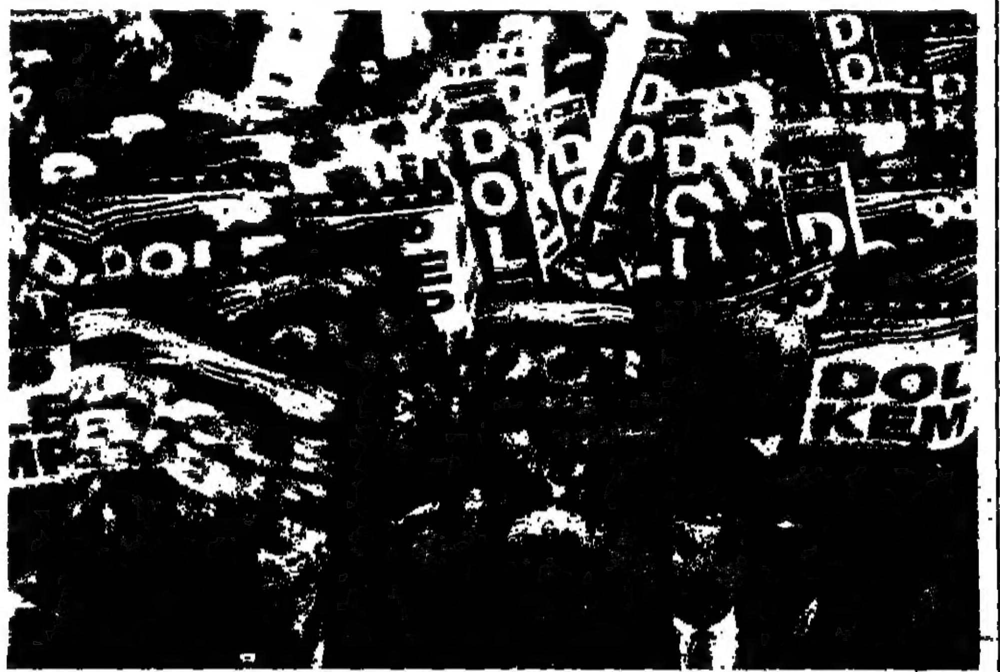
Former president George Bush said, in a clear reference to the many allegations of impropriety surrounding Mr Clinton and his staff: "It breaks my heart to see the White House demeaned and the presidency itself diminished." He introduced his wife, Barbara, as the model first lady, in implicit contrast to Mrs Hillary Clinton.

A press conference held by the moderate Republican governors of California, New Jersey and Massachusetts was interrupted by boos and chants from conservative activists, also heard, if more scattered, during Mr Powell's address.

Many delegates wore virulently anti-Clinton buttons, while a line of rightwing radio talk show hosts, with broadcasting booths immediately above the convention floor, stirred up the faithful by assaulting the president throughout the day.

Mr Kemp said yesterday that "unity", the party's prime goal this week, did not necessarily mean "unanimity". He

Continued on Page 10
Powell shows power, Page 3
Editorial Comment, Page 9



Republican delegates waving signs at the convention centre in San Diego where Bob Dole is scheduled today to become the official Republican presidential candidate Picture: Reuter

Lonrho refuses to fight block on merger plan

By Kenneth Gooding in London

Lonrho, the UK based conglomerate, has refused to join Impala Platinum, a quoted subsidiary of Gencor of South Africa, in an appeal against the European Commission's refusal to allow them to combine their platinum mining interests.

Its decision means that the proposed \$2bn merger, which would have put the enlarged Impala group almost neck-and-neck with Anglo American Corporation of South Africa as the world's biggest platinum group metals producer, is virtually certain not to go ahead.

Lonrho has also refused to extend the time limit for the merger while an appeal to the European courts is being heard, Mr Michael McMahon, Impala's chairman, reveals in his annual statement today.

The proposed merger was finalised in November last year but blocked by the Commission in April.

The Commission said the merger would create a duopoly in the platinum market that was against the interests of European consumers.

Mr McMahon says today that Lonrho's refusal to co-operate "does not help the appeal and confuses the outcome [of the appeal] if it is successful".

He points out that Impala still has first right of refusal to the Lonrho platinum interests should they change hands but "the merger, a successful appeal, or any further transaction must now be downgraded in our expectations from imminent to remote".

A Lonrho official said it would not have been in shareholders' best interests for the group to have joined in the appeal. Also, an extension of the time limit on the merger would have simply prolonged uncertainty that was already affecting the performance of Lonrho's platinum mine in South Africa.

The Lonrho platinum management team is known to have been far from enthusiastic about the merger but its virtual demise is a big blow to Impala. The merger would

Continued on Page 10

Chechnya truce agreed to allow civilian evacuation

By John Thornhill in Moscow

Russian and Chechen commanders yesterday agreed to halt fighting from midday today, allowing thousands of civilians to be evacuated from the devastated regional capital of Grozny, Russian television said last night.

A Chechen spokesman confirmed that a temporary truce would be observed today, but heavy fighting continued in Grozny last night.

International aid organisations warned of a refugee crisis as civilians fled their homes. The European Commission yesterday approved a \$5.3m aid package for Chechnya after estimating 100,000 civilians to be in urgent need of food and medicine.

The Moscow-backed Chechen government complained yesterday that Russian forces were obstructing efforts to create "human corridors" to evacuate the city and were neglecting refugees.

The escalating crisis in Chechnya continued to echo in Moscow as the rebel fighters glaringly exposed the army's weaknesses. Russian officials said 221 of their troops had been killed in the latest upsurge of fighting during the past week.

General Igor Rodionov, Russia's newly appointed defence minister, yesterday signalled a radical change of thinking among the country's military leaders by calling for drastic cuts in the size of the army.

In an interview with the *Moskovskie Novosti* newspaper, Gen Rodionov said a detailed analysis of the army suggested it was in its worst crisis since the civil war that followed the 1917 Bolshevik revolution.

"I am not overdramatising the situation. I am simply stating an objective fact," he said. "Today our armed forces do not have a single regiment capable of launching a combat action or moving by rail or air at two or three hours' notice," he said.

Gen Rodionov's comments came a day after Mr Alexander Lebed, Russia's national security chief, decried the state of the armed forces in Chechnya and reflect a remarkable change of view at the top of the Russian military.

The outbreak of realism could presage attempts at real reform, which has previously been stalled by an unco-operative general staff.

The defence minister appears to share Mr Lebed's broad definition of what constitutes national security. "A country saturated with troops but lacking public health, education, science and culture is not worth much," he said.

Gen Rodionov said military reform could only proceed in parallel with economic recovery and suggested cutting the army's size to a sustainable and properly financed core of 12 divisions. He also indicated a possible change in spending priorities with scarce resources being devoted to research and development rather than the purchase of armaments.

Moscow loan, Page 2
Determined selves, Page 8

CONTENTS

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Rome has said it will privatise Stet but how it does so is sure to stir controversy

Labour pains for 'mother' of sell-offs

August in Italy has always been a good month to unveil controversial decisions. It was not surprising, therefore, that the government decided last week to announce its plans for the country's most sensitive privatisation – that of Stet, the state-controlled telecoms group – just as politicians were packing their bags for the beaches.

Two days of polemics followed over what is dubbed "the mother of all privatisation" and then the fuss died down.

The centre-left government of Mr Romano Prodi has a breathing space until early September. Thereafter a battle is likely both in parliament and with the managements of Stet and Iri, the state company that has a 62 per cent stake in the telecoms group. The rest of Stet is listed and the telecoms group has a current market value of around L25,000bn ($16.5bn). Broken up, it could be worth L8,000bn more.

Despite the government's fixing of the Stet sale for between February 1 and March 31 next year, it is by no means certain parliament will act quickly to make a telecoms regulatory authority operational. Its functioning is an essential precondition for the sale of the telephones side of Stet's activities. Delay could affect the relatively tight scheduling for the sale, wedged between Deutsche Telekom and France Télécom.

The toughest criticism has come from Reconstructed Communism (RC), the hardliners from the defunct Communist party who provide the government's majority in the chamber of deputies. This means the government will almost certainly have to enlist the passive, if not active, support of the rightwing opposition. At least some of the opposition parties are likely to help in the belief that the telecoms sector needs to be liberalised. But the rightwing National Alliance will do its best to block the sale and any break-up of Stet.

Within the government, not everyone shares the Treasury's enthusiasm for selling off Stet's non-core business separately. The unions' fear of job losses has been made known forcefully to the Party of the Democratic Left, the dominant partner in government. Moreover, the Stet management has managed to retain allies across the political spectrum because of its huge powers of patronage. Indeed, the Treasury failed to unseat the top managers when their mandates came up for renewal in June.

This delicate play of political forces was reflected in the ambiguity of the Stet announcement over the extent to which the group would be sold intact or broken up; the ambiguity was criticised by the financial markets.

The only formal commitment for splitting off non-core activities concerned Seat, the lucrative yellow pages and publishing division of Stet. It was left to a subsequent letter from Mr Carlo Azeglio Ciampi, the Treasury minister, to Mr Michele Tedeschi, the Iri chairman, to spell out that the other three non-core companies – Sirti (cable laying), Italel (equipment engineering) and Finsiel (software) – were also targeted.

The same political tensions led to the government adopting the formula of the state retaining a "golden share" while also forming a hard core, or *nocciolo duro*, of stable shareholders. This will consist predominantly of Italians, but with an important foreign presence. The markets may not like such apparent dual control but the government feels it has to reassure those on the left and right who fear the consequences of a Stet unprotected in a fiercely competitive market.

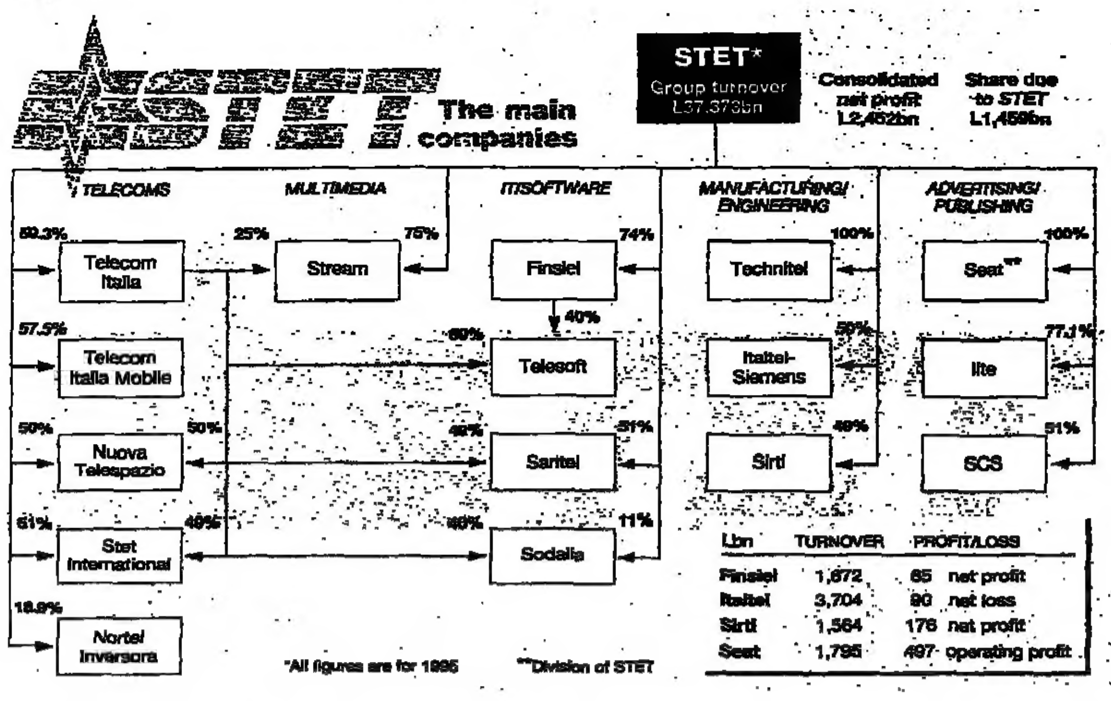
Despite the vested interests at stake in limiting change, the Treasury has one big weapon. Iri is near-bankrupt and must reduce its debts by almost L20,000bn by the end of the year to comply with a 1993 accord between the EU Commission and the government. Failure to respect this agreement would prejudice Italy's relationship with Brussels and could lead to the enforced liquidation of Iri, with implications for the country's international financial credibility.

Sale of the Stet stake is the only means of enabling Iri to comply with this agreement. On the best of scenarios, Italy will have to negotiate a brief extension to this December's deadline. This will only be granted if a start has been made to reduce Iri's debt.

The quick sale of Seat, which could raise L3,000bn, is therefore a demonstration of Italy's intentions and will become more important if parliament drags its heels on a telecoms regulatory authority. Equally, if the Stet timetable has to slip, the pressure to proceed with the sale of other non-core telephone assets is even greater.

All in all, the Stet privatisation promises to be untidy. But after almost four years of false starts, momentum is building up.

Robert Graham



More Thyssen men in fraud probe

By Michael Lindemann in Bonn

The number of executives at Thyssen, the German steel and engineering group, being investigated for alleged fraud rose sharply yesterday, but it remained unclear what new information might have led to the surprise arrest last week of Mr Dieter Vogel, the company's chief executive.

Thyssen said the public prosecutors' probe had been extended to a further 14 executives following the arrest of 10, including Mr Vogel, last week.

However, Mr Rüdiger Reiff, a spokesman for the Berlin public prosecutor, said only a further 11 were being investigated. He said there would be no additional arrests.

On Friday, when news of the arrests emerged, prosecutors had said they had "new information" which had not been available during earlier investigations into Thyssen's activities which were closed in 1993. They did not say what the information was.

Thyssen, which yesterday began a case for unlawful arrest against the Berlin public prosecutor, insisted that there was no new information that might have justified the arrest last week of Mr Vogel. It is believed to be unprecedented in German post-war history for the chief executive of a large listed company to be arrested at work.

"There are zero grounds for it," the company said. "We find it all the more surprising because we cannot believe that the public prosecutor would have dared to do something like this without any new material."

Dealers appeared to share the company's sentiments as Thyssen shares edged up DM4.15 ($2.82) to close at DM266.50, just short of the price they were trading at when news of the arrests first emerged on Friday.

Meanwhile, it emerged that Thyssen made a far bigger payment than originally required under a settlement with prosecutors who had begun investigations in 1993 into Thyssen's takeover of AHB-Metallurgiehandel, a former state-owned East German agency trading metals.

The settlement itself required payment of DM86.6m, while Thyssen paid DM175m. The company said yesterday the difference comprised value added tax, interest arrears and about DM30m to cover a number of other disputes including the value of several eastern German properties.

Mr Reiff declined to comment on the size of the payment but insisted that the prosecutors would defend any charges of unlawful arrest.

"That the person arrested should have doubts about the charges is perfectly normal," Mr Reiff said. "But it is a matter for the courts to decide. We checked the facts beforehand and came to the conclusion that the arrests should be made."

Thyssen said it expected the Berlin courts to come to a final decision about the legality of the arrests within two weeks.

Bosnia poll warning

By Neil Buckley in Brussels

Mr Warren Christopher, US secretary of state, will today warn the presidents of Bosnia, Serbia and Croatia that much remains to be done to ensure that the first post-war elections in Bosnia, set for September 14, are free and fair.

Mr Christopher will meet Mr Slobodan Milosevic of Serbia, Mr Franjo Tudjman of Croatia, and Mr Alija Izetbegovic, the Bosnian president, in Geneva today before travelling to Sarajevo, the Bosnian capital, tomorrow.

He is expected to highlight concerns that elements of the Dayton peace agreement, including ensuring refugees can return home without intimidation, and protecting media freedom, are still not being respected.

Speaking in Brussels yesterday after meeting Mr Javier Solana, Nato secretary-general, and General George Joulwan, Nato commander in Bosnia, Mr Christopher said he was "under no illusions" about the difficulties of holding peaceful and democratic elections in Bosnia.

At a joint press conference with Mr Solana, Mr Christopher also signalled that the re-election of Russian president Mr Boris Yeltsin cleared the way for "acceleration" of talks on Nato's relationship with Russia.

"It is now timely for us to develop a new relationship between Nato and Russia."

Mr Christopher said the US was examining the $20bn gas supply deal signed between Turkey and Iran on Monday to determine whether it violated the newly-adopted D'Amato legislation imposing sanctions on companies investing in the Iranian and Libyan oil sector.

EMI shelves decision on access to Target

By Gillian Tett in London and Andrew Fisher in Frankfurt

The European Monetary Institute has shelved one of the most contentious issues dividing potential members and non-members of European monetary union by deciding that further talks are necessary on the terms of access to the Euro payments system.

The EMI, forerunner of the planned European central bank, says today in a progress report on the system, known as Target, that options concerning banks of non-members "are still under discussion". It gives no indication as to when the matter might be resolved.

The continued uncertainty is a blow to financial institutions in areas such as the UK and Denmark, urgently trying to assess the impact on their business if their countries stay outside Emu.

The question of access to Target has become highly controversial, since banks of prospective Emu members such as Germany and France oppose the idea of non-member banks having equal treatment.

In particular, France and Germany have demanded that strict conditions should be imposed for access to intra-day liquidity in the single currency, the euro, for non-Emu areas, in order to stop this spilling over into over-night credit.

These demands have provoked at least one major UK company secretly to consider moving its Treasury operations to continental Europe, if the UK faces disadvantage over Target.

Other UK banks and companies are also examining the issue. Mr Richard Freeman of ICI says: "Any sensible company would be looking at the cost of treasury operations now."

In Denmark, Ms Bodil Nyboe Anderson, central bank governor, yesterday said that she hoped that a "satisfactory solution" could still be found. But Danish banks are also warning they might move to Frankfurt to avoid the controls.

Some central bank officials still hope options for treatment of non-Emu members might emerge in the autumn. Others suspect they will not come until 1998.

Today's EMI report only focused on the non-controversial, technical elements of the payments system. The report notes, for example, that a detailed pricing policy for Target has yet to be specified. However, it argues the system should aim to recover costs, and should operate under three main constraints: it should not affect monetary policy; it should maintain a "level playing field" between participants; and it should contribute to risk reduction policies in payment systems.

The report also says Target should have long operating hours, closing at 6pm central European time and opening at around 7am.

IMF in talks on Moscow loan

By John Thornhill in Moscow

A team of economists from the International Monetary Fund will today open talks with the Russian government over whether to resume monthly disbursements of a $10.2bn three-year loan, suspended last month because of poor tax collection.

Mr Victor Chernomyrdin, who was re-appointed prime minister on Saturday, yesterday conceded government finances had been undermined by over-generous tax privileges and huge tax evasion before the presidential election.

The government would have to work hard to raise Rbs60,000bn ($11.3bn) in the second half of the year to "normalise" the budget and ensure federal employees and pensioners were paid on time, he said.

Measures have already been taken to raise more taxes from Russia's small army of private traders and has set up a committee to crack down on the worst corporate tax offenders.

President Boris Yeltsin appears likely to bolster the government economic team by appointing two reform-oriented economists to senior positions.

Mr Vladimir Potanin, the head of Oneximbank, is expected to be named first deputy prime minister in charge of the economy with responsibility for macro-economic issues and monetary policy. The entrepreneurial Mr Potanin has built Oneximbank into one of Russia's most powerful commercial banks.

The president's chief economic aide, Mr Alexander Livshits, is also tipped to head a strengthened finance ministry with broader powers to address tax concerns.

Mr Livshits has been a staunch supporter of economic reform, although his administrative abilities remain untested.

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OBITUARY: Marshal António de Spínola

Portuguese president of the revolution

Marshal António de Spínola, who has died aged 86, was Portugal's first president following the 1974 revolution which ended 48 years of authoritarian rule and led to decolonisation of the country's African territories.

A conservative who became a figurehead for radical young army officers, his time in the political limelight was short – barely 18 months, of which just four and a half were as head of state. The sad disgrace with which it ended showed a man bewildered by the strength of the current he himself had helped to create.

António Sebastião Ribeiro de Spínola was born on April 11, 1910, the son of a senior civil servant. In his chosen army career, nothing suggested he would be anything but a stalwart of the Salazar regime.

From the early 1960s, the Portuguese army was increasingly involved in fighting independence movements in Angola, Mozambique and Guinea-Bissau, all then officially part of Portugal. The military situation was especially critical in Guinea-Bissau; it was there Spínola found out the hopelessness of pursuing armed victory. In five years as governor, he set about trying to win public support through reform.

By then a brigadier, he returned to Lisbon in summer 1973, and got down to work on his book, Portugal e o Futuro (Portugal and the Future). Reflecting rumbling discontent in the army and among young Portuguese facing military service, it warned of "the alarming psychological desertion" of the younger generation. Its thesis was the need for a political solution based on free association between African territories and metropolitan Portugal, a half-way-house policy never pursued.

Marcello Caetano, who had taken over from Salazar in 1968, wrote later: "When I closed the book, I had understood the military coup, which I could sense had been coming, was now inevitable." Along with chief of staff General Costa Gomes, Spínola refused to give explicit backing to official policy on Africa, and both were sacked.

Dissident officers had already formed the Armed Forces Movement which was to overthrow the old regime. Spínola read their manifesto, but was not involved in operational planning for the coup which took place on April 25, 1974.

The Council of National Salvation declared Spínola president three weeks later. His first government was almost all civilian, including Communists and Socialist leader Mário Soares as foreign minister. But in July, Col Vasco Gonçalves, the MFA's Marxist co-ordinator, became premier. After growing tensions with the MFA, Spínola resigned on September 30, and was succeeded by the amenable Gen Costa Gomes. Any hope of a comeback evaporated with the failed counter-coup attempt of March 11, 1975. Some believe Spínola was tricked into it; in any event it was an ill-prepared, clumsy melodrama. With his wife and a group of fellow-officers, he escaped to Spain and then Brazil.

With the installation of democracy, Spínola returned to live quietly in Portugal, where he was rehabilitated, largely thanks to Dr Soares. As a conciliatory gesture he was given the rank of marshal. In his rare declarations he showed mixed feelings about the outcome of the revolution, regarding the hasty manner of Portugal's withdrawal from its colonies as "a crime".

The Portuguese will find it hard to work out what they owe to Spínola, other than that by having the courage of his opinions at a crucial time, he prodded an historical change.

David White

EUROPEAN NEWS DIGEST

Dresdner tax case fines

A German court yesterday imposed heavy fines on the director of the main Koblenz branch of Dresdner Bank and the head of the branch's foreign department for abetting tax evasion. They have two weeks to contest the sentence.

The Koblenz state prosecutor said the director had been fined DM500,000 ($338,000), with the alternative of four months in jail; his colleague faced a DM300,000 fine or a year in jail. Dresdner bank declined to comment.

If the executives contest the sentence, the case will go to trial. The prosecutor asked the Koblenz district court to issue the order to avoid the expense of a trial.

The case is linked to the sentencing in February of a Dresdner client for tax evasion. It was the first conviction in a two-year series of tax investigations that left Dresdner and other banks incensed at what they viewed as unwarranted harassment by the authorities.

The Dresdner employees are alleged to have helped a client evade tax by transferring funds to Luxembourg. The client, a 55-year-old sausage skin dealer, admitted the offence and was jailed for 45 months, with a DM1.3m fine. He also agreed to pay more than DM10m in back taxes. *Reuter, Frankfurt*

EU confidence stops falling

Further evidence that the European Union's economic downturn might be ending emerged yesterday with a Commission survey showing confidence stabilising last month. The survey, of 23,000 companies in 12 EU countries, revealed that the proportion of managers feeling gloomy about prospects was unchanged – in marked contrast to the pattern of the past 18 months during which confidence has steadily deteriorated.

Nevertheless, the picture remains very patchy. Although confidence in the UK has improved in recent months, it has deteriorated in Italy and Germany. It also remains at a low ebb in France.

Meanwhile, a majority of companies are still reporting lower orders last month than in previous months. Business conditions are also highly competitive. A majority of companies expect to cut prices, rather than raise them in the months ahead, leaving the price expectation index at its lowest level for 30 years.

The consumer confidence survey showed that the public's concern about unemployment is still growing, even though its confidence in the economic outlook remained the same last month.
Gillian Tett, Economics Correspondent, London

Danes challenge EU treaty

Denmark's High Court yesterday gave 11 people leave to challenge the government over its signing of the Maastrich treaty, which they claim violates the Danish constitution.

The decision follows a 1993 complaint lodged by the 11 against Mr Poul Nyrup Rasmussen, the prime minister, after Danish membership of the European Union was ratified in a second referendum that year. They claimed that by signing the treaty, the prime minister had allowed a transfer of sovereignty which was not authorised under the constitution.

The ruling came as a poll in the newspaper Boersen suggested that opposition to the EU was easing: 33 per cent of the 945 people questioned wanted to participate in a unified Europe, against 31 per cent two months earlier; 47.2 per cent believed Denmark should maintain its opt-out on monetary union, compared with 54.7 per cent in June. *Andrew Arnold, Copenhagen*

Bulgaria urged not to cut rate

The International Monetary Fund yesterday urged Bulgaria to resist pressure to cut its main interest rate from the historic high of 108 per cent while inflationary pressures persist. The IMF representative in Sofia, said it would be "premature" to lower interest rates in the light of high inflation and the need to maintain a tight monetary posture.

Inflation in July was 23.3 per cent, boosted by rises in taxes and utility prices. An official at the National Statistics Institute yesterday forecast annual inflation this year of up to 160 per cent after 33 per cent in 1995 and 122 per cent in 1994. *Reuter, Sofia*

Nice airport strike ends

Air services to Nice returned to normal yesterday after airport workers won a pay increase and voted to end a three-day strike against France's two state-owned airlines. Air France and Air France Europe, which handle about 40 per cent of the airport's passenger traffic, agreed to give strikers a bonus of FFr1,090 ($218) plus a wage rise of FFr102 a month, essentially meeting their demands.

The stoppage by 90 per cent of tarmac staff and luggage handlers had forced the group to cancel 94 flights, the Chamber of Commerce said. *Reuter, Paris*

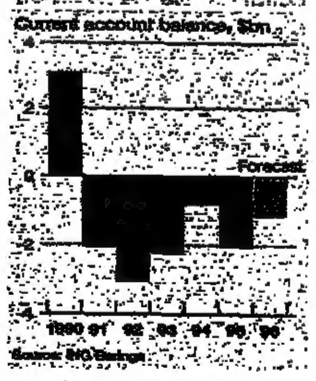
Greek tanker to pay for spill

Greece's Merchant Marine Ministry yesterday ordered a Greek tanker to pay Dr70m ($300,000) before leaving port for causing an oil spill near the Corinth canal.

The 123,000dwt Kriti Sea was loading crude from a Motor Oil refinery terminal at the port of Agioi Theodori, when a pipe to the tanker broke during a thunderstorm late on Friday. At the start of the containment operation, one person was struck by lightning and seriously injured. The incident delayed anti-pollution efforts, allowing crude to reach beaches, a ministry official said. *Reuter, Athens*

ECONOMIC WATCH

Poland's import bill soars



Poland's trade balance was $3.1bn in deficit in the first six months, against $453m in the same period last year. Imports soared by 30 per cent to $14.6bn; exports, at $11.4bn, rose by 6.4 per cent. Trade officials pointed out, however, that 80 per cent of purchases abroad were of new machinery and components for production. The gap was balanced by a $3.4bn surplus on sales of goods to foreign visitors. The balance of payments ended the period with a $312m deficit, compared with a $2.6bn surplus in the first half of last year. Foreign currency reserves have continued to grow, reaching $21.8bn at the end of last month, $1.8bn more than at the beginning of the year. *Christopher Bobinski, Warsaw*

■ Spain's headline inflation edged back up to 3.7 per cent in the 12 months to July, compared to 3.6 per cent in June. A report by Banco Bilbao Vizcaya said there were "reasonable doubts" about bringing the rate below 3 per cent next year. The year-on-year underlying rate continued to fall to 3.5 per cent, however, its lowest level in recent years.

■ Swedish industrial orders rose 1.9 per cent in May from April but were down 1 per cent year-on-year.

■ The Belgian industrial output index rose to 98.2 in May from 98.1 in April and 96.2 a year earlier.

Powell shows power over Republican fortunes

Bad speeches debase any currency, good speeches are two a penny, but great ones are like gold dust. American political conventions have seen them all, but the Republicans and a watching nation saw something with a fair quotient of carats on Monday night, courtesy of a retired black general by the name of Colin Powell.

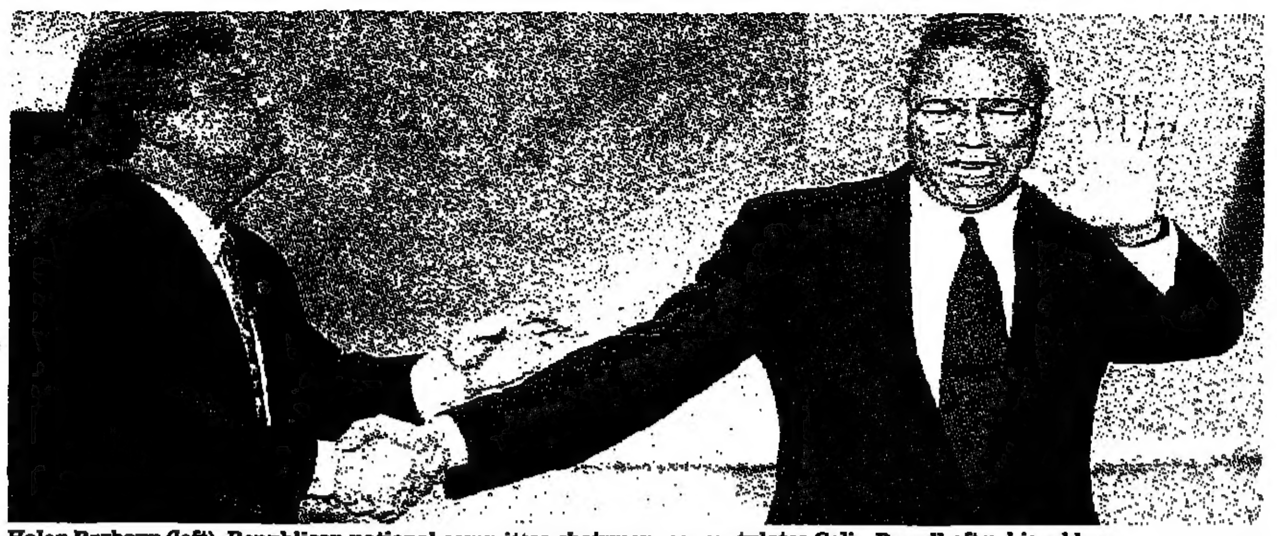
It bore comparison with Ronald Reagan at his most uplifting and George Bush's fine acceptance speech of 1988, until he offered a fatal hostage to fortune with his "read my lips, no new taxes" pledge. Of Democrats in the last 20 years, only the late Barbara Jordan in 1976 and Governor Mario Cuomo of New York in 1984 have been in the same passionate yet eloquent league.

It was an address that any presidential nominee of either party intent on straddling the broad middle ground would have given several eye teeth to have been able to deliver. If Bob Dole, improbably, could match it in his acceptance of the nomination on Thursday night, he might be on his way to the White House.

It also provided Republicans with a glimpse of what might have been – if Mr Powell had not forsworn a presidential bid last November and if the party had not moved too far to the right for his comfort – and of what could still be, four years from now, should the hunger enter his soul.

Mr Powell spoke of the American dream, as the son of Jamaican immigrants "who came here to work hard and came home on Friday nights with the fruits of their labour". This is not exactly the perception of welfare-seeking, job-stealing immigrants which now permeates the Republican party, (or the left wing of the Democratic party, come to that).

He spoke of the "values" instilled in him as a young black "second class citizen" that "justice will eventually triumph". But he talked of "family values" not in the contemporary language of right or left but as the bulwark against generalised images of "violence, vulgarity and incivility".



Haley Barbour (left), Republican national committee chairman, congratulates Colin Powell after his address *Reuter*

But, above all, he spoke of why he was a Republican and here he pulled relatively few punches. The party, he proclaimed, "must always be the party of inclusion – the Hispanic immigrant, made a citizen yesterday, must be as precious to us as the Mayflower descendant". That might be interpreted as criticism of the Republican drive to make English the official language of the US.

So it was with racial discrimination "which must be ripped out branch and root". He went on: "Where discrimination still exists – or where the scars of past discrimination still exist – let us not declare a level playing field". The Republican platform seeks precisely that.

Then came the unafraid crunch. "I want to build the big tent. You all know I believe in a woman's right to choose and in affirmative action," which is exactly what his party platform does not believe in. "But we are a big enough party to disagree and still believe in the common goal."

That was all he said on abortion, which might have marginally disappointed pro-choice Republicans denied the opportunity at the convention publicly to register their dissent from the religious and cultural conservative positions that are now party policy.

But it was enough to get them out of their seats cheering. It was also enough, in post-mortem television interviews, for the anti-abortion brigade to remind Mr Powell that policy was actually somewhat different from his preference.

There was more in the conventional vein, of his belief in smaller government, more economic growth and strong American global leadership.

Bob Dole could not have wanted a warmer endorsement, nor could Jack Kemp, his running mate, whom Mr Powell described, with evident feeling, as "a caring man".

His oratorical style was not perfect – the body language sometimes jerked a bit and the voice rose almost to a screech at the patriotic coda – but there was little doubt he held the convention in the palm of his hand.

Former presidents Gerald Ford and George Bush had made several of the same points earlier, and the reception they received was conventionally polite. But even they would concede they are yesterday's leaders.

Mr Powell, on the other hand, is definitely today's, maybe tomorrow's, and is in any case different. His status, as the first black man to rise from obscurity to head an American military that was segregated until President Harry Truman ordered otherwise less than 50 years ago, gives him an acceptability that crosses racial lines and transcends the capabilities of most ordinary politicians.

Not all, it must be said. Martin Luther King could do it, but he was outside party politics and had a cause as well as a dream. There is nothing false about the deep feelings Democratic presidents such as Jimmy Carter and Bill Clinton have about racial discrimination and social inequality, harboured equally, if often more reticently, by any number of good Republicans, among them Bob Dole and Jack Kemp.

But in the partisan nature of contemporary politics these are subjects more often addressed to audiences of the already converted or in the sort of controversial loaded legislation in which Washington has been awash.

One speech by a man who is not a candidate for national office cannot of itself rescue a party, any more than Mario Cuomo could the Democrats 12 years ago. But if Mr Powell delivers a few more like it on Bob Dole's behalf in the weeks to come, there is no telling what the consequences may be, ranging from a Republican presidency to a party whose dogmatic right takes a walk.

Jurek Martin

Pathos comes right on cue in made-for-TV extravaganza

Patti Waldmeir eschews the convention floor for an armchair to catch a slice of the action in San Diego's prime-time soap opera

The story line hit all the facile highs and lows of soap opera. The studio audience cried and clapped on cue. None of the actors fluffed their lines, and some struck notes of plausible pathos. No cliche of cinematic technique was spared in the search for the perfect visual.

Republican Convention 1996 – the mini-series – made its debut Monday night on prime-time television. Everything was done to ensure that a nation of channel surfers – many of whom "surf" political parties like they do television channels – paused long enough to notice.

First of all, they were guaranteed the best seats in the house. For any tattered armchair before any 20-inch screen in the nation was preferable to the choicest spot on the convention floor.

Delegates from Kansas, Senator Bob Dole's home state, were just about close enough to the stage to distinguish a speaker's smile from a grimace. But those from a host of other states could not see the stage at all. The press box scored a perfect zero for visibility. So, just like the folks back home, almost everyone in the hall watched the proceedings on video. This truly was a case where TV was better than life.

Republican strategists boast that they scripted their convention entirely for television. Mr Paul Manafort, the convention manager, says the major networks have historically carried 15 minutes of anchormen's comments, commercials and correspondents' reports for every hour of convention business. So he gave the networks exactly what he thought they wanted: 45 minutes of fast-paced action, bite-sized speeches, and slick videos, along with 15 minutes of marginal material designed for the network knife. And he scheduled the action to take place at East Coast prime time, with the climax from 10pm to 11pm.

Mr Manafort claims the aim was to encourage political dialogue with the millions beyond convention walls. But he also knows that a nation of channel surfers prefers the visual to the verbal, and neither in large doses. So most speakers were told to limit speeches to 90 seconds – about the time it took to salute the American dream, invoke the crisis in American families and touch the other hallowed bases of Republicanism before giving way to the next speaker to do the same.

To leaven the whole, he produced a sprinkling of lyrical videos showing "real people" in sentimental settings designed to demonstrate Republican links with "ordinary Americans".

Mr Manafort need not have bothered counting his minutes: even CNN, the most politically addicted of the networks, focused on the stage for only about five minutes of its first hour of evening coverage. At the top of the hour, the network broadcast a Red Indian chief reciting the pledge of allegiance and a young black boy singing the national anthem.

Then for nearly 50 minutes – as podium speakers droned on in the background – CNN scripted its own convention. Reporters interviewed Republican luminaries on the convention floor. Without a hint of irony, television pundits bemoaned the sorry state of politics in the made-for-TV age, when one of the great pageants of American life had been reduced to sitcom. And for the ultimate in surreal television experiences, CNN took us to a little town in Ohio to watch live footage of voters . . . watching the convention on TV.

But none of the networks could resist the pull of the podium when Mary Fisher, an Aids sufferer, rose to declare that she meant to "live and die a Republican", or when a small black girl at her side read out her own composition, a poem entitled: "I am the future and I have Aids." Nor could they resist cutting immediately to the floor for snapshots of tearful delegates.

Appropriately, it was former President Ronald Reagan – first master of the televised image – who finally captured the network cameras. Television screens were filled with the saccharine images of a video tribute to the former leader prepared by the Republican party, and broadcast in the hall. Then Mrs Nancy Reagan stepped to the podium to deliver her own moving salute to a husband dying of Alzheimer's disease, and grown men were shown weeping. Finally, the convention organisers had successfully struck their chosen chord: nostalgia. And no network anchorman got between them and their message.

But the drama was incomplete until retired General Colin Powell rose to deliver his own true-life tale of the poor black boy who might have become president. In a campaign whose central theme has been mourning the American dream, Gen Powell stood at the podium as a product of that dream and implored his countrymen to believe in it. And he ended his speech on the dot of 11pm eastern time. Just like the script said he would.

AMERICAN NEWS DIGEST

US consumer prices edge up

US consumer prices rose 0.3 per cent in July, ahead of most forecasts, suggesting inflationary forces are not entirely dormant. Separate data showed retail sales edging forward last month, indicating consumer demand is holding up better than many Wall Street economists expected.

The figures, however, were not seen as altering the outlook for monetary policy. The Federal Reserve is widely expected to hold interest rates steady at its next policy meeting on August 20.

Consumer prices rose 0.3 per cent last month, reflecting large increases in the cost of food and hotel accommodation. Economists had expected a gain of about 0.2 per cent. In the past six months consumer prices have risen at an annualised 3.5 per cent, up sharply from 2.5 per cent during 1995 as a whole.

However, the core consumer price index, which excludes food and energy, shows little sign of acceleration. Core prices were up 0.3 per cent last month and at an annualised 3 per cent in the past six months, in line with last year's increase.

Retail sales rose 0.1 per cent, against projections of a 0.2 per cent contraction. But for a sharp fall in car sales, which are volatile on a monthly basis, sales would have been up 0.3 per cent.

Figures for June were revised down to show a fall of 0.5 per cent, rather than 0.2 per cent.

Economists are divided on whether the slowdown in sales reflects a temporary pause or a broader deceleration of economic activity in the second half. If the slowdown proves lasting, Fed policy could stay on hold until after November's election. *Michael Prowse, Washington*

Zedillo dismisses investigator

President Ernesto Zedillo of Mexico has dismissed the special prosecutor investigating the assassination in 1994 of Mr Luis Donaldo Colosio, the ruling party's presidential candidate, after a key defendant in the murder trial was acquitted last week. Mr Pablo Chapa Bezanilla was the third special prosecutor to fail to unravel the case.

Mr Colosio was shot dead while campaigning in the border town of Tijuana. The government initially said the assassination was the work of a sole gunman, who was caught at the scene of the crime, tried and jailed for 45 years.

Mr Chapa Bezanilla, however, sought to prove the assassination was a conspiracy with two gunmen involved. His case collapsed when a judge acquitted the alleged second gunman last week. Mr Chapa Bezanilla was also unable to shed any light on who wanted Mr Colosio dead.

Solving the Colosio murder case has become a test of Mr Zedillo's commitment to improving law enforcement. The legal setback brought calls for the resignation of Mr Antonio Lozano, the federal attorney-general, who is the only member of an opposition party in Mr Zedillo's cabinet, but the president's office has confirmed Mr Lozano in his post. *Leslie Crawford, Mexico City*

Jamaica sells refinery stake

The Jamaican government has sold for $68m a 70 per cent interest in the island's only oil refinery to a consortium led by the company's managers. Amercar Trading of the US and Austin Blades of Austria are the other partners, with the latter securing financing for the sale.

This is the second of three planned privatisations, following that of Air Jamaica just under two years ago. *Canute James, Kingston*

Bold start to Argentine war on deficit

It must have come as some embarrassment for Mr Roque Fernández, Argentina's new economy minister, that only hours after announcing his much-awaited austerity package on Monday night, President Carlos Menem should have unceremoniously vetoed two of the measures.

Mr Menem considered it politically inopportune to levy VAT on previously exempted books, magazines and state-subsidised private education, forcing Mr Fernández to withdraw these proposals.

The disagreement between Mr Fernández and Mr Menem probably owes more to the haste with which the package was finally announced than to lack of political support. By limiting his objections to two issues, Mr Menem has in fact put his name to what La Nación newspaper calls the "severest austerity package in years".

The main aim of that package is to close a budget deficit which Mr Fernández admitted was hurtling towards $6.1bn this year – $4.1bn more than agreed with the IMF. Measures, including a controversial increase in diesel and petrol prices and an end to several VAT exemptions, would save the Treasury $4bn-$4.5bn annually.

Mr Fernández will seek legislation to ensure that extra revenue, earmarked to plug shortfalls in the social security system, is not shared with the provinces. The economy minister, who has been in intense negotiations with congressmen from the ruling Peronist party, said he was confident of legislative support.

Argentine Brady bonds and securities opened slightly down in international markets yesterday as investors took the view that further austerity would impact on growth. On Monday Mr Fernández downgraded growth estimates for 1996 from 5 to 4 per cent. Most analysts expect further downgrades to follow.

Mr Jerome Booth, head of emerging markets research at ANZ Bank in London, said the measures were "spot on. . . It was just what I was looking for, a significant tightening on the fiscal side".

In Buenos Aires the Merval index of blue-chip stock opened down 1.2 per cent, as investors digested the implications of the package.

Biggest revenue earners in the package will be a 12 cents rise on diesel fuel which, after partial rebates to the agricultural and fishing sectors, should raise an annual $750m. A 10 cents increase in petrol prices is expected to net a further $600m.

Mr Fernández – in what marks a clear policy change from Mr Domingo Cavallo, his predecessor – also hopes to save more than $1bn annually by virtually abandoning Mr Cavallo's industrial and export-promotion incentives. Export subsidies have been cut, tax breaks on the manufacture or import of capital goods abandoned, and incentives for specialised industries scrapped.

Mr Jorge Blanco Villegas, president of the Industrial Union of Argentina, which represents big businesses, complained that "there is not a single measure here to stimulate recovery. . . These are just tax increases".

Mr Fernández, a strict Chicago-trained monetarist, believes the only way to restore genuine economic health is to tackle the deficit. Although this is not large by international standards – at only 2 per cent of GDP – a history of lax fiscal policies makes investors wary of the slightest shortfall.

Mr Roberto Alemann, a prominent local economist, said deficit-reduction was the only way to lower country risk and cut international financing costs. Mr Fernández, he said, was correct to pursue this path as the best way to achieve sustainable growth.

David Pilling

Vienna, that's it!

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- centre of research & development
- hub of trade and industry
- headquarters of international organisations
- banking and trading centre
- perfect access to emerging markets
- crossroads of data highways
- airport junction and important river port
- highly qualified workforce
- business-friendly city administration

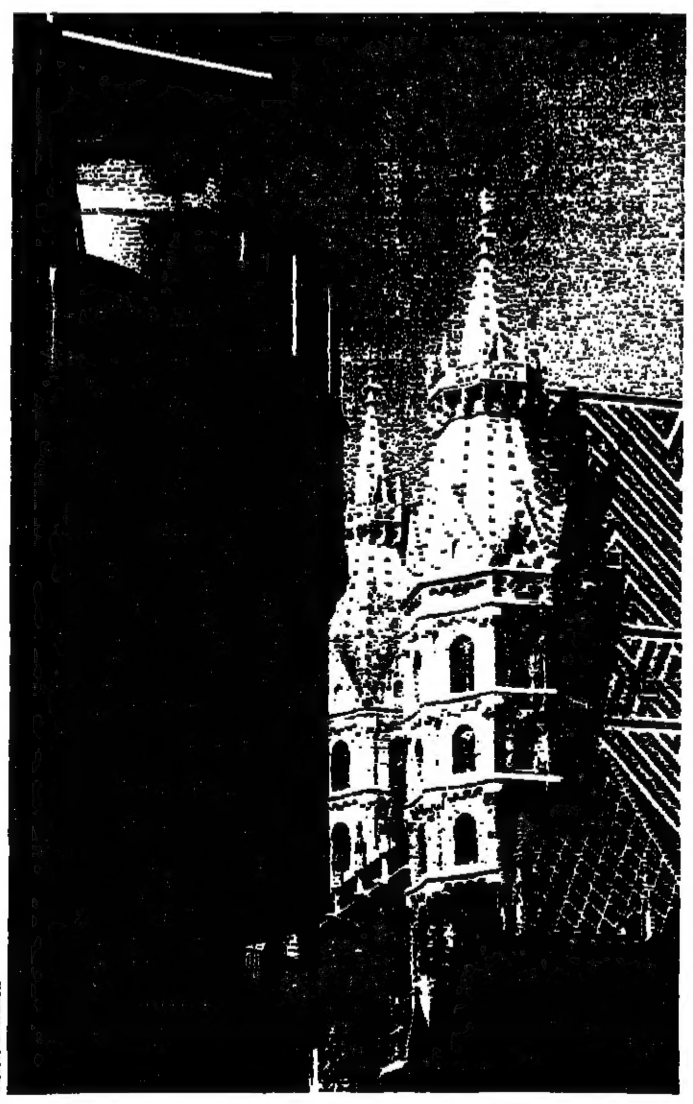


Photo: ÖW/Bartl

CITY OF VIENNA

A perfect blend of history & future

NEWS: WORLD TRADE

Manila to push for Apec unity

By Edward Luce in Manila

The Philippines will press the Asia Pacific Economic Co-operation Forum to agree a common line on competition policy, investment rules and intellectual property rights ahead of the World Trade Organisation's first ministerial meeting in December.

A spokesman for the Philippines, which will host Apec's fourth heads of state summit in Manila in November, said the government would strive to reach a consensus on "built-in" WTO negotiating issues at an Apec preparatory meeting in Davao, southern Philippines, next week.

Mr Federico Macaranas, the Philippine chairman of Apec in 1996, said it was vital for the 18-member free trade forum, which accounted for 46 per cent of global trade in 1995, to speak with one voice at the WTO meeting in Singapore.

This included agreeing a common line on new areas of global trade negotiations such as competition policy, liberalising trade in information technology and harmonising rules on investment and government procurement contracts. The US, Apec's largest member, has already pushed for an Apec proposal to reduce barriers to the free movement of information.

However, countries such as Malaysia and Thailand, which succeeded in making Apec's liberalisation targets "non-binding" when the initial target dates were set in Indonesia in 1994, are expected to be less enthusiastic than others about forging a strong Apec line for the WTO negotiations.

China, which has yet to become a member of the WTO, is also thought to be reluctant to turn Apec into a motor of stronger global trade liberalisation.

On the other side, the Philippines, Australia and Canada have voiced support for a unified Apec stance in Singapore.

The Davao meeting, on August 21-23, will also focus on moves to harmonise the 18 Apec individual action plans submitted earlier this year to remove all barriers to trade within the group by 2020 for developing member countries and 2010 for developed economies.

Apec officials said many of the 18 action plans, which cover liberalisation measures across 28 sectors, fall far short of requirements.

"It is an enormous task to co-ordinate and harmonise all the various proposals," said Mr Macaranas. "But we are confident that we will make strong progress in Davao."

Eight Apec members – Australia, China, South Korea, Taiwan, Indonesia, Japan, Singapore and the Philippines – had submitted more detailed action plans since the initial documents put forward at the last officials' meeting in May, Mr Macaranas added.

East Europe car demand 'set to double by 2006'

By Kevin Done, East Europe Correspondent

New car demand in east Europe and the former Soviet Union is set to double during the next 10 years, reaching 2.9m by 2006, according to a study by DRI/McGraw Hill and PlanEcon.

Higher sales will result from strong economic growth, a dramatic improvement in consumer credit facilities and from lower prices because of changes in fiscal policy and intensifying competition.

The report says east Europe will provide "significant growth opportunities" for vehicle makers and component suppliers in the coming decade. "Compared to current market levels around 1.5m extra cars will be sold [annually] in the region by 2006," it says.

Car sales in east Europe exceeded expectations last year and "remain exceptionally strong" in 1996, said Ms Carol Thomas, DRI vehicles analyst. Production, which reached a low of 1.6m in 1994, is forecast to grow to 2.7m by 2001 and to 3.2m by 2006.

Despite the prospect of strong growth in demand, the report warns about the danger of growing overcapacity. "The indications are that producers are installing greater capacity than local and export demand will justify," said Ms Thomas.

Daewoo of South Korea, the most significant new entrant into east Europe's motor industry, is alone planning to produce about 750,000 cars and light trucks by the end of the decade at plants in Poland, Romania, the Czech Republic and Uzbekistan.

If this is achieved, Daewoo will account for over 66 per cent of the incremental volume projected between now and 2000, leaving little room for expansion by rival manufacturers.

Russian and Ukrainian carmakers continue to operate "largely in isolation" from the rest of the world with only limited western components, but the DRI report forecasts that more than 100,000 cars with western brand names could be produced in Russia by 2001.

Among the biggest markets in the region, the study forecasts new car sales in Russia growing from 683,000 last year to 1.035m in 2001, with Polish sales in the same period up from 264,000 to 399,000 and Czech sales up from 112,000 to 188,000.

East European Automotive Industry Forecast Report - July 1996. DRI/McGraw-Hill, Wimbledon Bridge House, 1 Hartfield Road, London, SW19 3RU, UK.

Eastern Europe: car industry forecasts

	sales (000 units)				production (000 units)			
	1994	1995	1996	2001	1994	1995	1996	2001
Bulgaria	14	11	10	40	0	1	1	0
Croatia	10	18	20	50	0	0	0	0
Czech Republic	91	112	129	188	[illegible]	[illegible]	240	[illegible]
Hungary	90	68	52	131	32	51	55	110
Poland	251	264	299	399	[illegible]	[illegible]	[illegible]	[illegible]
Romania	58	92	96	119	86	88	105	165
Slovakia	15	25	35	48	[illegible]	20	28	35
Slovenia	46	60	64	77	74	87	85	93
Belarus	3	3	3	22	[illegible]	[illegible]	0	49
Russia	653	683	720	1,035	798	836	860	1,225
Ukraine	65	30	25	105	[illegible]	[illegible]	51	135
Uzbekistan	5	5	11	56	0	0	10	73

Source: DRI/McGraw-Hill

Kazakh sell-off breaks power monopoly

Kazakhstan sold off its largest power station and the capital's energy monopoly to foreign investors yesterday in an attempt to revive energy production and cut dependence on its neighbours, writes Sander Thoenes in Almaty.

AES-Suntree, a US-Israeli partnership of power station operators, pledged at least $500m to upgrade and operate the unfinished Ekibastuz I power station in northern Kazakhstan. Tractebel, the Belgian power producer, took over the electricity and heating stations and distribution networks of Almaty and the surrounding province, pledging to pay $5m and to invest $270m to boost production.

The purchases top off a sale of power stations, mostly to foreign investors who operate nearby metal smelters, the largest consumers of electricity. In addition, Asea Brown Boveri, the Swiss-Swedish industry group, is negotiating a contract for construction, finance and operation of a 320MW coal-fed power station 400km north of Almaty.

"All these projects will help us achieve independence in energy production. Our challenge is to get these power stations some working capital as quickly as possible," said Mr Victor Khrapunov, energy and coal industry minister. "The stations are practically broke. We have only a few months left until winter." Last winter brought home the weaknesses of Kazakhstan's energy system which is dependent on imports from Russia and Uzbekistan even though the country is rich with oil, gas and coal. Russia and Uzbekistan repeatedly cut supplies because of unpaid debts, causing power failures and forcing heating stations to shut down in freezing conditions.

Czechs reject Unisys appeal

By Vincent Boland in Prague

The Czech competition office yesterday rejected an appeal by Unisys against the cancellation of a military contract won by the US technology group in a tender last year. It also criticised the defence ministry for its handling of the bidding process.

In a summary of its ruling on the contract for a Nato-compatible information system for the Czech army, the competition office said the Unisys bid did not meet all the tender's requirements.

Defence ministry officials made "many mistakes" in handling the bidding process, including failure to request quality guarantees and a timetable for completion of the contract, as well as failure to announce how the bids were evaluated and to produce "a protocol on the opening of envelopes containing the bids".

The competition office announced that a new tender for the contract, which is reportedly worth Kč3bn ($112m), will be launched within 60 days. It said Unisys could appeal its ruling, but that this would not affect the new tender.

Unisys said it was disappointed by the rejection of its appeal and said it won the original tender "on the basis of the quality of its offer in an open tender". The company would study the terms of the new tender before deciding whether to participate.

The defence ministry cancelled the contract earlier this year after complaints from other bidders, which included the Czech subsidiaries of IBM, Electronic Data Systems and Digital Equipment of the US, and Infars, the Czech company. They claimed the Unisys offer was less Nato-compatible than theirs.

The contract row was one of a series of mishaps in the defence ministry's procurements procedures in recent months.

WORLD TRADE NEWS DIGEST

French groups in nuclear deal

The export of French nuclear technology received an important boost yesterday when Cogema and SGN, two nuclear materials and reprocessing groups, announced details of a $300m contract as part of a consortium's $5bn award to clear up one of the most important sites in the US. Cogema and SGN will help co-ordinate the management and clearance of the US military complex at Hanford in Washington state, the site which provided the plutonium for the Manhattan project to develop the atomic bomb used in the second world war.

The contract begins in October. The consortium is led by Fluor Daniel of the US and includes Babcock and Wilcox, Duke Engineering and Services, Lockheed Martin and Rust Federal Services. Numatec Hanford Corporation, jointly owned by SGN and Cogema, and SGN Réseau Eurysis, part of the SGN group, will be responsible for project management and help decontaminate the site, which covers nearly 1,000sq km. *Andrew Jack, Paris*

Hanoi insurance joint venture

Vietnam has approved the country's first joint venture insurance company, involving Commercial Union of the UK and Tokyo Marine and Fire Insurance, an official at the Japanese company said yesterday. The new firm, Vietnam International Assurance (VIA), is 51 per cent owned by Vietnamese state insurer Bao Viet, with the two foreign partners each holding 24.5 per cent. The official confirmed a local newspaper report saying VIA would offer non-life insurance products and re-insurance schemes to foreign-invested companies, and that the company's office would open in Ho Chi Minh City next month.

About 30 foreign insurance companies have opened representative offices in Vietnam, lured by the prospect of premium income in a country where urban incomes are rising fast. Some have signed joint venture contracts with Bao Viet and, since its monopoly was broken last year, with four new Vietnamese companies. However, the government has been slow to license any foreign deals, worried about exposing its industry to foreign competition. This is reflected in its insistence that Vietnamese companies retain a majority stake in insurance joint ventures, unlike in other sectors with foreign investment. *Jeremy Grant, Hanoi*

Fujitsu gets US TV patents

Fujitsu, the Japanese computer company, said yesterday it had obtained US patent rights for its plasma display panel (PDP) flat-screen television technology. A company official said Fujitsu was planning discussions with Japanese and South Korean television manufacturers which use the technology, and would seek royalty payments from some companies. "We hope to start talking to companies within the year, but we may not ask every single company to pay up," she said.

The patent obtained by Fujitsu relates to the basic technology for displaying precise colour pictures on the panel, she said. Another patent, covering PDP production technology, was expected to be granted in the US by the end of this year, she said. Fujitsu was also applying for a patent for the technology in Japan.

A PDP is a flat television display panel. The technology allows for larger screens without an increase in weight or thickness, making it suitable for producing wall-hanging televisions. *Reuter, Tokyo*

NEWS: INTERNATIONAL

S Africa moves on Moslem militants

By Roger Matthews in Cape Town

South African police moved against members of the militant Moslem organisation People Against Gangsterism and Drugs (Pagad) in Cape Town yesterday following threats of more violence and suggestions of international involvement.

The arrest of at least one Pagad leader, on charges of murder and sedition, came in the wake of clashes at the weekend between the security forces and the organisation's supporters who have vowed to rid Cape Town of all drug dealers. Police raided a number of other homes overnight in the search for other prominent Pagad members.

Earlier this month gunmen among hundreds of Pagad members shot dead one of the city's most notorious drug dealers, but police made no effort to intervene. Mr George Fivaz, the national police commissioner, later held talks with Pagad leaders but failed to persuade them to work with the authorities and abandon what he described "as their deliberate strategy of violence".

Mr Farouk Jaffer, a Pagad spokesman who on Sunday addressed a mass rally, said yesterday he would not hide to avoid arrest, and said the campaign against lawlessness would be converted into a holy war.

"There is only one person that I fear, and he is Allah," he said. "We are not turning back. We will continue doing what we have to do, even if some lives are lost". Mr Jaffer then attacked the ANC for failing to maintain law and order. "They must understand we are the people at grassroots level who voted these fools into power, and they must be removed from their positions."

Mr Ali Parker, another Pagad leader, was quoted yesterday as saying that help was being sought from Hizbollah, the militant Lebanese organisation, and Hamas, the Palestinian group which has rejected the Middle East peace process. The exchanges reached new peaks of extravagance when a senior police officer told a television interviewer that such comments showed that Pagad's actions formed part of a long-term aimed of establishing an Islamic state in South Africa.

A spokesman for the ANC in the Western Cape also found the Pagad threats sufficiently intimidating to warrant a the declaration of a state of emergency. The Institute for Defence Policy joined in, telling a defence review in parliament that the armed forces were still preparing to fight the last war, and not to contain the real security threat posed to the nation.

"South Africa teeters of the brink of becoming simply another African basket case where violence, corruption and brutality rule, instead of being the engine for African regeneration," it said.

Moi profits from opposition squabbling

Kenya's president has poll advantage, reports **Michela Wrong**

Elections may not be due in Kenya until the end of 1997, but most Kenyans believe they already know the outcome of the forthcoming polls: another term for President Daniel arap Moi, at the helm since 1978.

That prediction, which the British ambassador in Nairobi was tactless enough to voice in public recently, is not based on the popularity of Mr Moi, who belongs to a minority tribe and has probably lost support since 1992 elections when he garnered only 36 per cent of the vote.

Rather, it is based on the condition of the opposition: squabbling, self-obsessed and split as never before.

In a syndrome being repeated across Africa, opposition failure to rise above personal rivalries and tribal affiliations is reinforcing an unpopular party's hold on power, making a mockery of western donors' insistence on the introduction of multiparty democracy.

Once, in simpler days, the opposition consisted of FORD, a broad-based alliance that aimed to present a united front to the ruling Kanu party. Then came the first split and FORD-Kenya and FORD-Asili were born.

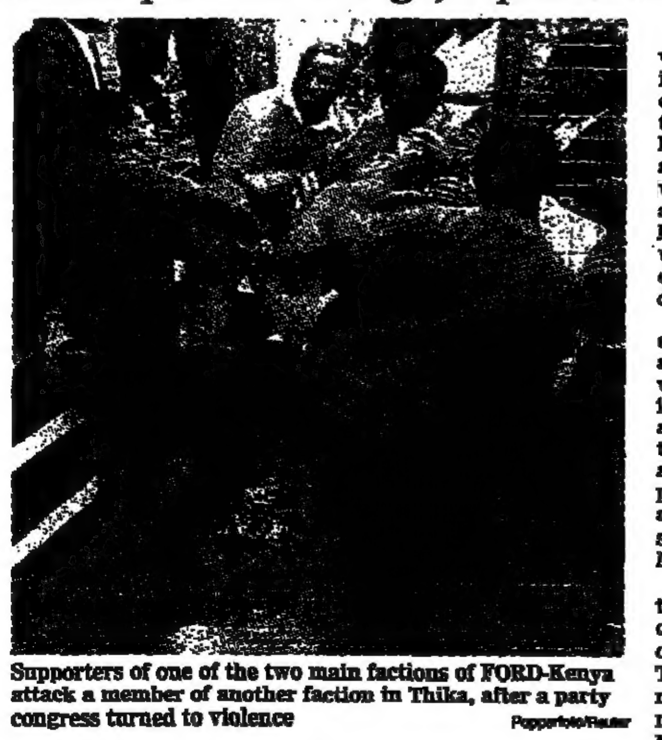
Today, the choice is between FORD-Kenya (Wamalwa faction), FORD-Kenya (Raila faction) – both vying for official recognition as the main opposition party – FORD-Asili (Matiba faction), FORD–Asili (Shikuku faction), while the other main group, the Democratic party, is riven by dissension.

Safina, the party set up by opposition dissidents and conservationist Dr Richard Leakey, remains unregistered more than a year after its launch, unable to build on the excitement that greeted its creation.

With a real possibility of each faction fielding its own presidential candidate, splitting the opposition vote five ways and repeating the scenario that handed Mr Moi victory in 1992, small wonder even traditional opposition supporters are looking at Kanu with new eyes.

"The prevailing mood as we approach the elections is 'better the devil that you know'," commented Mr Macharia Gaitho, columnist for the Economic Review, usually highly critical of Kanu. "In retrospect... it might have been a blessing in disguise that President Daniel arap Moi's corrupt and thoroughly discredited Kanu managed to retain power by hook or by crook."

Depressingly, tensions stem from inflated egos rather than ideological issues. Mr Raila Odinga challenges Mr Michael Wamalwa for the leadership of FORD-Kenya largely on the basis of his membership of a parliamentary committee which last year cleared an Asian businessman implicated in the Goldenberg affair, the country's biggest ever financial scam. The surprise finding triggered immediate suspicions committee members had been bribed.



Supporters of one of the two main factions of FORD-Kenya attack a member of another faction in Thika, after a party congress turned to violence *Popperfoto/Reuter*

But Mr Odinga, son of Mr Oginga Odinga, the late FORD founder, has always regarded the leadership of FORD-Kenya as his by right and was merely biding his time until an opportunity to stage a coup presented itself.

Mr Kenneth Matiba, nominal head of FORD-Asili, has alienated party members with his autocratic ways, while refusing to acknowledge that several strokes while in detention have left him unequal to the job.

The squabbling has not only undermined plans to field a single opposition candidate in the polls. It is also sabotaging what many opposition supporters regard as even more crucial: a campaign to reform a constitution heavily weighted in favour of the incumbent. Proposals for a "constitutional convention" attended by parties, church groups and civic organisations have, predictably, been held up by opposition bickering.

The disruption has provided Kanu with easy pickings, with a growing number of opposition MPs lured back to the former single party. Political commentators were astonished by the rapturous welcome Mr Moi received on a tour of Luoland – a FORD-Kenya stronghold where he would normally never have dared to trespass, and more defections are expected.

Although its position looks enviably strong, Kanu is aiming for more than simple victory. A two-thirds majority in parliament would allow it to alter the constitution as it wishes, and some analysts are convinced the party is determined to achieve that in order to scrap a provision preventing Mr Moi running after 1997.

All eyes are on a presidentially appointed electoral commission drawing up new constituency boundaries. The commission was originally due to announce 22 new constituencies, but Mr Moi has recommended an extra 50 to 60, triggering fears a disproportionate number would be located in pro-Kanu areas in order to attain the required majority.

Ignored in all the infighting have been the concrete concerns of the electorate, increasingly disenchanted with a political process which looks fated to continue marginalising the Kikuyu and Luo, Kenya's biggest tribes. By-elections this year have seen turnout touch new lows.

While voters are wondering whether it is worth turning out on election day, foreign donors are muting their once virulent criticism of the government, despite signs of continuing human rights abuse and new evidence of official corruption.

Last year, aid dried up to a trickle and foreign governments had few kind words for Mr Moi. This year, the International Monetary Fund agreed to release a long-blocked structural adjustment credit worth $216m and some bilateral donors have resumed funding.

As ever, troubles in the region – the crisis in Burundi, rising instability in the Great Lakes region – make Kenya look good, encouraging indulgence on the behalf of donors. But above all, the international community now feels there is no credible alternative to Kanu.

"When you see the mess that is the opposition, you have to wonder what it would be like if these guys were in power," confesses a diplomat. "And then Moi doesn't look so bad after all."

Not surprisingly, Mr Moi is walking with a new spring in his step. In the days of the one-party state, his argument to donors pressing for reform was always that Kenya, as a multi-tribal society, was not suited to democracy, which would merely exacerbate ethnic tensions. Four years on, the argument is not looking quite as spurious as it once did.

INTERNATIONAL NEWS DIGEST

Crisis talks on N-test treaty

International negotiators went into crisis talks yesterday in an attempt to salvage a global nuclear test ban treaty which is threatened by objections from both India and Iran.

A formal negotiating session at the United Nations' Palais des Nations in Geneva was suspended within minutes of its start and Mr Jaap Ramaker, the chairman, called for private consultations before another meeting.

"It looked as though there was going to be a veto, so the chairman chose a cooling-off period," said Mr Stephen Ledogar, the chief US negotiator. "It looks like there are going to be heavy consultations this afternoon."

Iran's announcement that it could not accept the treaty has thrown into confusion negotiations for the comprehensive test ban treaty in what many had hoped would be their final week. Until Mr Mohamed Javad Zarif, Iran's deputy foreign minister, made it clear Tehran could not accept the text, efforts had focused on persuading India not to block consensus.

Faced with the latest crisis, some western diplomats said that they were beginning to accept the fact that the 61-nation forum would fail to approve the draft pact. They were looking for ways to send the text to the UN General Assembly in New York even if a consensus was not reached at the Geneva talks. The negotiations end on September 13. *Reuter, Geneva*

Israeli move angers Arafat

Mr Yassir Arafat, president of the Palestinian Authority, and other senior officials yesterday called Israel's decision to set up nearly 300 mobile homes in Jewish settlements a clear violation of their self-rule deal.

"This is a new breach of what had been agreed upon and what had been signed," Mr Arafat said in response to the Israeli Defence Ministry's decision to approve placing the homes in the West Bank and Gaza Strip.

Mr Ahmed Abdel-Rahman, director-general of the Palestinian cabinet, said the government could not expect his community to accept peace on the basis of land confiscation. "The Palestinians will not accept this kind of peace. It is not peace. It's occupation."

The move was the first actual decision on settlements since August 2 when the rightwing government of Mr Benjamin Netanyahu lifted restrictions on Jewish settlement building imposed by the previous Labour government. *Reuter, Gaza*

Huge mosque contract won

An Italian joint venture has won a $408m contract to build a spectacular mosque in Abu Dhabi, the latest in a series of lavish religious buildings in the region.

An industry source said Impregilo-Rizzani de Eccher had been told it had won the contract for the marble and granite mosque, which will hold 7,000 worshippers, will be topped by 110 metre minarets and will be ringed by gardens, water fountains and walkways.

Several international companies, including France's Bouygues, Sweden's Skanska, and Spain's Dragados y Construcciones were competing to build the Grand Mosque of Sheikh Zaid bin Sultan II.

Sheikh Zaid's close friend, King Hassan of Morocco opened the Hassan II Grand Mosque in Casablanca in 1994, said to have the world's tallest minarets. Construction of Oman's largest mosque, which will accommodate more than 15,000 people, is also due for completion next year. *Reuter, Dubai*

Fraud probe delays Thai bank licences

By Ted Bardacke in Bangkok

The Thai cabinet yesterday approved three new domestic banking licences but said they could not be officially awarded until an investigation was completed into allegations that the successful bidders paid bribes during the selection process.

The decision momentarily defused a political crisis within the seven-party coalition led by Prime Minister Banharn Silpa-archa – the country's justice minister originally made the bribery allegations.

But it further delayed Thailand's long-standing plans for the liberalisation of its financial sector.

Last April, a committee of senior bureaucrats from the Bank of Thailand and the Ministry of Finance recommended that groups led by General Finance & Securities, Italian-Thai Development and MBK Property be given banking licences, the first such licences to be issued since 1966. The committee said three other applicants, including the politically powerful War Veterans Organisation, failed to meet application criteria.

Deputy Prime Minister Gen Chavalit Yongchaiyudh repeatedly complained the rules should be bent so the War Veterans Organisation could be awarded a licence and in doing so prevented the issue from being brought before the cabinet on schedule. Last week Justice Minister Chalerm Yoobamrung said Bt750m ($30m) had been paid to unnamed ministers by each of the winning groups. He said Prime Minister Banharn should resign in favour of Gen Chavalit, who is also Defence Minister.

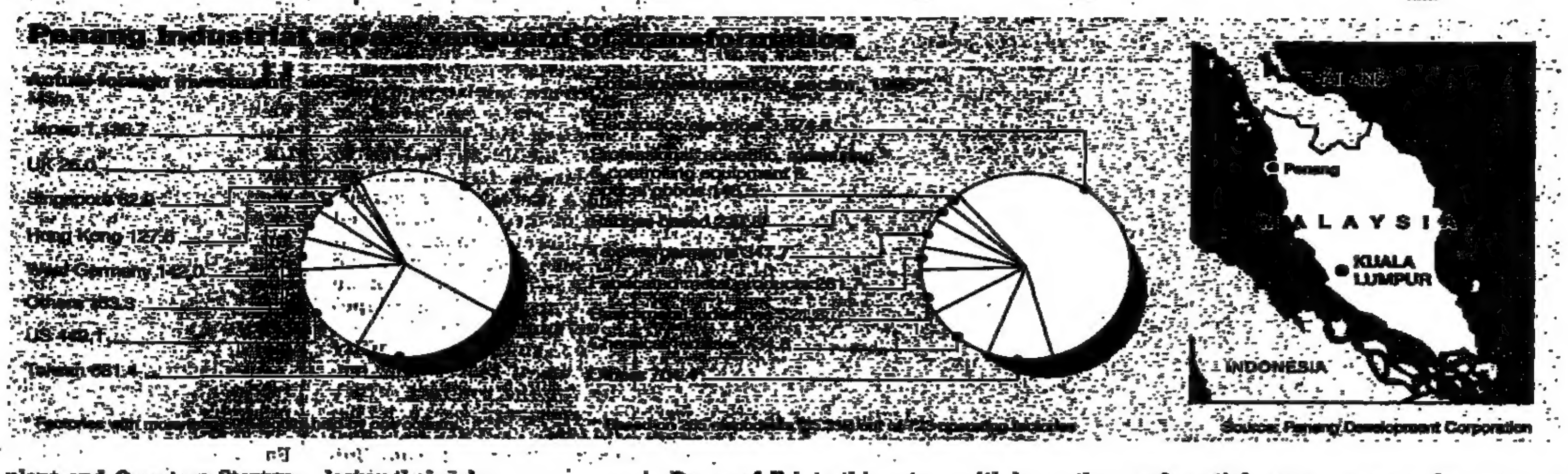
Yesterday's cabinet resolution told Mr Amnuay Viravan, foreign minister, to lead a committee to investigate the bribery allegations but gave it no deadline by which to complete its inquiry. Mr Bodi Chunnananda, finance minister, said he would award the licences on his own authority if the investigation took too long.

Analysts said the compromise was aimed at keeping the coalition intact while giving the false impression the bank licensing process was going forward.

"It's really disappointing that the bank liberalisation process is being derailed because of internecine political disputes," said Mr Scott Christensen, a banking analyst at Jardine Flemming Thanakom Securities.

An executive with one of the winning groups said the bribery allegations were "the normal sour grapes from the losers" and were being used by politicians as a bargaining chip within the coalition. "We put in a very good application and a very well respected panel of civil servants said we qualified. We're just caught up in a political battle, that's all," he said.

Penang finds it tough staying on top



The island of Penang is full of reminders of the cycle of boom and bust. Colonial mansions built by the British with money from free port trade now stand dilapidated. Palaces once erected by tin tycoons are being slowly digested by ants, and local government officials recall with a shudder the 1960s when a sudden economic decline put 15 per cent of the workforce out of a job.

For more than a decade, however, Penang has been Malaysia's greatest success story; a "silicon island" at the vanguard of the country's transformation from labour intensive manufacturing to high technology.

Now talk of bust is back in the air. "Foreign firms are pulling out," read one newspaper headline recently. And last week a local Chinese newspaper proclaimed on its front page: "5,000 staff lose their rice bowls [jobs] in the first half of the year".

Government officials and executives at foreign electronics companies say that Penang's future is not that gloomy. But the recent slowdown in global demand for electronics products and the departure of some companies is prompting a reassessment of Penang's attractiveness as a manufacturing base.

Grundig, Philips' German subsidiary, closed down its radio, cassette and compact disc player factory in June with the loss of 600 jobs. Hewlett Packard shut down the disc-drive division of its plant and Quantum Storage, a US manufacturer, moved its manufacturing operations. Sony denied a recent press report that it was moving a production line to Indonesia but, like most manufacturers, it acknowledged that it has cut production volumes.

All of which has much to do with Penang's waning cost competitiveness. Wages are rising at between 10 to 15 per cent annually, more than double the gains reaped in productivity, factory managers said.

Dr Mahathir Mohamad, the prime minister, has described this as "suicidal" and called on Malaysians to become "workaholics".

However, observers believe such a transformation would be difficult at the best of times, let alone when a chronic nationwide labour shortage ensures that most workers never have to fear losing their jobs.

"Some of our workers leave after two weeks," said the chief executive of a foreign electronics company in Penang. "The reasons they give are absurd: that the canteen food is better somewhere else, or that the bus to work is not too convenient. This is a pampered workforce."

Mr K. Gopalan, manager of the industry and trade division at the state-run Penang Development Corporation, said that turnover in local factories had reached an average 48 to 60 per cent of the workforce per year.

Executives said that, as a rough rule of thumb, electronics manufacturing in Penang will not be viable in the medium term for operations in which labour costs account for 25 per cent or more of total production costs. Several among the 150 or so electronics companies in Penang fall into this category and Malaysia's government has made clear it will not be sad to see such relatively low-tech and low value-added companies leave.

For years Penang's success has come from being a south-east Asian location which can manufacture goods of an acceptable quality more cheaply than neighbouring Singapore. But as costs rise ever nearer to Singapore's levels, other countries in the region such as Thailand, Philippines, Indonesia and China are upgrading the quality of their products.

The costs of power and land rent are also rising steadily, and last week the government announced a series of increases in toll tariffs on the main expressway up and down the Malaysian peninsula. Some manufacturers in Penang are also concerned that the US may withdraw the preferential access to its market it provides to developing countries next year. This would hit Malaysia's electronics sector hardest.

These trends leave Penang with one option – to remake itself as much in Singapore's image as possible.

"Singapore has raised the effectiveness of its workforce many levels above the Malaysian workforce, but we have to become like them," said Mr Boonler Somchit, executive director of the Penang Skills Development Centre (PSDC), a private business founded partly by multinational companies.

Mr Kang Chin Seng, a Penang state executive councillor, said that several other new initiatives are being undertaken to ensure the island's competitiveness.

Challenged by the central government's recent plan to attract information technology companies to a 750 sq km multimedia "super-corridor" near Kuala Lumpur, Penang is set to launch a fibre-optic cable network connecting all businesses in Penang by the end of the year.

To help the leap from assembly-based industries to research and development, the state government is involved in a venture capital fund that will assist local companies to pay for the research which prospective foreign partners may bring to a manufacturing joint venture.

The state government too will have to be "re-engineered" for greater efficiency, said Mr Kang.

"Actually, the problem of productivity in the factories is not so bad. It is the rest, like the government, where the problem is," he said.

James Kynge

ASIA-PACIFIC NEWS DIGEST

Manila export zones prosper

Exports from the Philippines' export processing zones (EPZs) rose by 50 per cent in the first six months of 1996 to $2.75bn as a result of higher foreign direct investment, said economists. The special zones, which offer tax breaks and waive duties on capital equipment imports for investors, have attracted a growing inflow of investment from Japanese companies in the last 12 months. Exports from the zones, which excludes figures from Subic Bay Freeport and the Clark special economic zone, the two former US military bases which are said to be growing at a similar rate, were led mainly by electronics and electrical components said officials.

Among the country's biggest EPZs, the Baguio zone in northern Philippines registered the biggest total export receipt of $637.14m, up 58.5 per cent from $401.9m a year ago. Total Philippine exports grew by 21 per cent in the first half of 1996 slightly down on the 28 per cent growth last year. *Edward Luce, Manila*

Oil price fears played down

The Philippine government yesterday played down fears that market-based pricing for petrol and other oil products would lead to dramatic price rises and higher inflation. The liberalisation, which starts today, will for the first time in 25 years remove oil prices from political control. Petrol and oil prices will be adjusted monthly under an automatic pricing mechanism linked to prices in Singapore.

Philippine labour groups have called a national strike on August 23 to protest at the 5 per cent increase in petrol pump prices to 10 pesos (38 US cents) a litre which comes into effect today. The government says prices of products used by poorer consumers such as kerosene and liquefied petroleum gas will drop marginally while public transport fares will remain unchanged. Philippine inflation is predicted to fall from 8.9 per cent in July to about 6 per cent in December. Economists say that the oil price deregulation will have a "neutral" impact on the consumer price index. *Edward Luce, Manila*

Taiwan cement plan to resume

Taiwan Cement, the island's leading cement maker, plans to resume work on a T$5.8bn ($211m) expansion of its plant in eastern Taiwan following a year-long delay because of environmental protests by local residents. The Hualien county government recently gave the green light to continuation of the project, which should be completed by next summer, company executives said. The expansion will increase annual production capacity at the Hualien facility from 250,000 tonnes to 1.5m tonnes. Taiwan Cement's total yearly capacity is 5.6m tonnes. Late last year the company suspended work on a T$80bn investment plan, also in Hualien, because of environmental concerns. *Laura Tyson, Taipei*

N Korea to return novelist

North Korea said yesterday it would hand over a South Korean novelist whom Pyongyang claims illegally entered the country at the end of July, the (South) Korean National Red Cross said. The novelist, Mr Kim Ha Ki, went missing on July 30 after drinking at a North Korean-run restaurant in Yanji in the Chinese border province of Jilin. Mr Kim had arrived in China on July 26 as a member of a group of 60 tourists. *Kyodo, Seoul*

Malaysia lifts Burma's bid to join Asean

By James Kynge in Kuala Lumpur

Efforts to accelerate Burma's admission as a full member of the Association of South East Asian Nations received a boost yesterday after Rangoon welcomed a Malaysian proposal that it should join the Asean club next year.

Mr Ohn Gyaw, Burma's foreign minister, said Rangoon wanted to become a full Asean member "as soon as possible". He supported a new proposal by Dr Mahathir Mohamad, Malaysia's prime minister, that the country should join at Asean's 30th anniversary celebrations next year.

Burma was sworn in as an observer member of Asean in Indonesia last month, preparing it for full membership by 2000. Dr Mahathir's suggestion to speed Burma's entry carries special weight because Malaysia is present chairman of the Asean standing committee, meaning it will host and chair next year's anniversary meetings.

The move to welcome Burma early into Asean is sure to provoke concern in the European Union and the US, which have sharply criticised Burma's human rights record and its alleged tolerance of drug-trafficking activities. But Asean, which groups Malaysia, Singapore, Thailand, the Philippines, Brunei, Indonesia and Vietnam, has made it clear western views of its membership will be disregarded.

Mr Ohn said Burma was ready to abide by Asean commitments on liberalising trade but did not give details. Vietnam, when it joined last year, was allowed until 2006 to lower most of its tariffs to less than 5 per cent, three years beyond the 2003 deadline applied to other Asean members. It is likely that Burma will receive a similar concession.

The west and Japan want Burma's military government, the State Law and Order Restoration Council (Slorc), to engage in meaningful dialogue with Ms Aung San Suu Kyi, the opposition leader whose National League for Democracy won an election in 1990 which was annulled by the military. But Mr Ohn ruled out yesterday any chance of talks with Ms Suu Kyi, whom he blamed for the country's problems.


Than Shwe: 21-gun salute

Brig-Gen David Abel, Burma's minister for national planning and economic development, said Rangoon was not worried by the recent departure from Burma of multinational investors such as the Danish brewer Carlsberg and Amsterdam-based Heineken. He claimed other foreign brewers were ready to take their places, but did not give details.

Gen Abel added that foreign direct investments of $895m (£568m) had already been approved this year, and a total of $1.5bn in investments was expected for the whole year.

A Malaysian group of 16 non-governmental organisations issued a strong criticism of Malaysia's warm welcome to Burma's delegation, which is being led by General Than Shwe, the head of Slorc.

Gen Than was given a 21-gun salute, dinner with Malaysia's king and a long audience with Dr Mahathir on Monday. "We are shocked by the willingness of our government to consort with a regime notorious for its atrocities and disregard for the basic human rights of its citizens," a statement by the group said.

HK civil service barred from key committee

By John Ridding in Hong Kong

The Hong Kong government has barred senior civil servants, police and information officers from joining the 400-member committee which will set up the territory's post-1997 government, administration officials said yesterday.

A circular has been sent to the groups concerned informing telling them of the decision, according to the civil service branch of the administration. Officials said the ban was in line with existing rules on political activities by civil servants and was intended to maintain the political neutrality of the civil service.

The issue has proved particularly sensitive, however, because of controversy surrounding the Selection Committee. The body will nominate Hong Kong's chief executive, who will head the government after the territory returns to China next year, but it will also select the first legislature for the territory after the transfer of sovereignty.

Pro-democracy forces are fiercely opposed to the replacement of the existing legislature, which was voted in last year with a four-year mandate under reforms introduced by Governor Chris Patten. China has pledged to dismantle the legislature, arguing that its formation and Mr Patten's political reforms breached agreements on the handover.

The Democratic party, the largest member of the existing Legislative Council, this week rejected an overture from Beijing to join the Selection Committee, arguing that the scrapping of the legislature is illegal.

Representatives of civil service unions, staff associations and political bodies outside the proscribed groups will be able to decide for themselves whether they want to accept nominations to serve on the committee.

A spokesman for the police union said that members had already decided not to take part in the committee. However, the senior non-expatriate association of civil servants said it was considering applying for a judicial review to challenge the decision.

A spokesman said senior civil servants should be able to take part in the committee since they are involved in policy formulation. "We have a constitutional right to take part in public affairs," he added.

The Beijing-appointed Preparatory Committee, which will elect the members of the Selection Committee after a consultation and nomination exercise, has requested airtime on the public broadcasting network to help publicise the nomination procedure. A government spokesman said the request was under consideration.

Bangladesh officers who led 1975 coup arrested

By Kesra Naji in Dhaka

Police in Bangladesh yesterday arrested three retired army officers who led a coup 21 years ago that killed the father of Prime Minister Sheikh Hasina.

Police said the men were arrested for possession of illegal arms but the daughter of one of the officers insisted the men were taken in because of their involvement in the military coup which toppled the government of Sheikh Mujibur Rahman, Bangladesh's founding prime minister and father of Sheikh Hasina.

Sheikh Mujibur and most of his family were murdered in the coup. His two daughters were abroad at the time.

The arrests came on the eve of the anniversary of the killings which is being marked in Bangladesh for the first time this year. In one of her first decrees, Sheikh Hasina declared the anniversary a national day of mourning. As an opposition leader before becoming prime minister, she had demanded those involved in the coup be tried. In June, the Communist party urged her to withdraw the amnesty covering those involved in the coup.

The ruling Awami League returned to power in general elections in June after 21 years in opposition.

The three arrested men are Col Seyed Farooq Rahman, Col Shahriar Rasheed, and Maj Kharuzaman. Lawyers said it was unlikely the three would be charge with murder as there was a constitutional indemnity against prosecution of anyone on the charge of involvement in the coup.

The coup leaders were granted amnesty by the military government that captured power after the assassination of Sheikh Mujibur.

Police said the three were being held under the Special Powers Act, which allows detention without charge of up to three months of anyone suspected of involvement in terrorism. The three are among a wider group of army officers and senior diplomats whom government officials have accused of involvement in the coup.

In July, the new government recalled a number of the diplomats from overseas postings, triggering rumours that it government would seek to bring all those involved in the coup to justice.

● The World Bank has cautioned the Bangladesh government that foreign aid for the country would be linked to the government's unequivocal commitment to reforms and radical improvement in the quality of public spendings.

The warning came as the cabinet approved a proposal to ask the meeting of Paris Club of sovereign donors in September for $2bn to be spend on infrastructural development plans.

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Payments are 'double the cost'

Abattoirs' fee for BSE cull attacked

By Alison Maitland in London

Abattoirs are being paid far more than their actual costs for killing cattle under the government's BSE slaughter scheme, it has emerged.

Abattoirs have been paid £87.50 ($136.50) per animal since the cull of cattle aged more than 30 months began in early May as part of UK government efforts to reassure consumers about the safety of beef in the wake of the crisis over mad cow disease.

But Coopers & Lybrand, the accountancy firm, is believed by abattoir executives to have put the actual cost at between £35 and £40 in a report for the government.

Abattoir representatives and officials from the Intervention Board, the government agency administering the cull, start negotiations today on a fee reduction.

The board refused to disclose its starting figures in the talks but said Coopers had produced a range of costs that were "considerably less than £87.50".

The government's aim is to backdate a fee reduction to June 17. The £87.50 fee – thrashed out in an atmosphere of "panic" in May, according to one abattoir director – was made effective until mid-June and subject to independent review.

So far 350,000 cattle have been slaughtered, of which 137,675 had been killed by mid-June. On the basis of actual costs of £40, that would have cost abattoirs £5.5m to mid-June. But they were paid £12m – a profit of £6.5m. This has been shared among about 60 abattoirs, although half a dozen are conducting the biggest share of the cull.

Mr Elliot Morley, an agriculture spokesman for the opposition Labour party, said the Commons public accounts committee should investigate the cull. "This is public money," he said. "That money should be used in the most cost-effective way. It's quite wrong for anyone to exploit this crisis to make excess profits."

Mr Paul Tyler, the centrist Liberal Democrat party's farming spokesman, said the government should have put the cull out to competitive tender from the start.

Mr Richard Cracknell, vice-president of the meat federation and managing director of ABP, one of the UK's largest abattoir groups, warned that slaughterhouses would pull out if the fees were cut too heavily.

They will argue they need extra money on top of basic costs to cover profit and "incentive" payments. Mr Cracknell said the cull involved additional costs and only abattoirs that had invested heavily in modernising could do "a proper job".

Michael Crabtree

An executive jet with three people on board overshot the runway at RAF Northolt, west London, yesterday and hit a van on a public road. Last month the government rejected a call from MPs to make Northolt a relief airport for Heathrow

Nuclear accident claims force Pentagon review

By Bernard Gray, Defence Correspondent

The Pentagon is searching its records for details of accidents at US nuclear bases in Britain during the 1950s after the Campaign for Nuclear Disarmament claimed that incidents involving nuclear weapons had been covered up for 40 years.

The UK Ministry of Defence said it had no knowledge of any incidents at US bases, but that it had asked the Pentagon to check its records following the CND reports.

CND gives details of several accidents at US and British bases, which it says were covered up. A fire at the Greenham Common air base in southern England in August 1957 was said to have involved a loaded nuclear bomber; the US air force operated B-47 nuclear bombers from the base at the time. A second fire was reported at the same base six months later.

In a third incident at an unidentified US air force base, an aircraft crash is said to have left a nuclear weapon scorched.

Higher than normal concentrations of uranium and lithium, two elements involved in nuclear weapons, are said to have been recorded around the Greenham Common base following the 1957 fire.

There are also reported to have been incidents involving the Royal Air Force. In one case a nuclear weapon is said to have fallen from an RAF bomber's wing pylon and crashed to the concrete suffering severe damage. MoD officials admit privately that the incident occurred, but play down the significance of the damage.

In another incident, a nuclear weapon was said to have been accidentally jettisoned from an RAF aircraft during a training mission from a base in northern England. The MoD denies that this can have happened, as it says that live nuclear weapons were never flown on such training missions.

However, the fact that the MoD has commented on the issues is significant, since it never normally talks about nuclear weapons operations.

Attack on MPs who rejected gun ban

By John Kampfner, Chief Political Correspondent

A group of Conservative MPs yesterday faced a torrent of condemnation from police chiefs, doctors, bereaved parents and politicians after rejecting calls for a ban on handguns following the massacre of 16 schoolchildren and a teacher in Dunblane, Scotland last March.

Labour said it would table a motion demanding tough action on the ownership of firearms when parliament reconvened in October.

The government sought to distance itself from the report by six Conservative members of the Commons home affairs committee, which rejected a raft of proposals to ban guns. Such a ban would produce at best a "minimal" improvement in public safety, they said.

Instead, the Tory MPs recommended greater supervision of the sale and use of guns including asking doctors to testify on the medical history of licence applicants. The British Medical Association said: "The most effective means of preventing another tragedy like Dunblane is to reduce the number of handguns in society."

The government has said it will legislate on gun ownership and support a ban if recommended by the inquiry under Lord Cullen, which will report next month.

The Association of Chief Police Officers said it was "extremely disappointed" by the rejection of even a ban on .22 calibre handguns.

The Police Federation said the committee had rejected every constructive recommendation and the Police Superintendents' Association said Conservative MPs had bowed to the gun lobby.

Sir Ivan Lawrence, the committee chairman, said critics were "talking out of the back of their heads".

Labour said the proposals made a mockery of Tory attempts to present the opposition as soft on crime.

Ford steps on the gas at Aston Martin

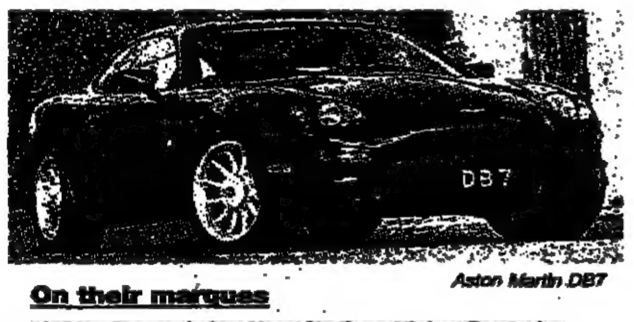
The elite carmaker is looking to consolidate its revival with an export drive

The last time Aston Martin toyed with building a four-door car, the result was a striking, but wacky, saloon which singularly failed to accelerate out of the showroom. Three of the angular and notoriously unreliable Lagonda models are still waiting for a buyer.

It is a measure of the company's restored credibility that when Mr David Price, executive chairman, raises the possibility of a Lagonda successor, his remarks are greeted with polite surprise, not outright derision.

The reason is Ford. The multinational bought into Aston Martin in September 1987 and took full control seven years later. Under its US owner, the company has not only survived, but expanded its range.

Now it wants to go further. Mr Price, who took over last November, would like to revive exports to the Middle East. That would help to consolidate sales at their current level of just more than 700 a year, more than 10 times the nadir of 66 cars made in 1992 and currently filling capacity.



Aston Martin DB7

On their marques

1914 London car dealers Lionel Martin and Robert Bamford decide to move into manufacturing
1915 First Aston Martin built. Aston Hill was a climb near London where Martin had tested cars.
1919 Prototype Aston Martin runs in competitions and wins gold medal in London-Edinburgh 24 Hours Run
1923 Production of cars for sale begins
1925 Company faces liquidation after only 61 cars built; rescued with backing from engine designers Bertelli and Renwick
1932 First international success: fifth and seventh at Le Mans
1947 Tractor maker David Brown buys Aston Martin and Lagonda
1950 DB2 launched as tourer derived from racing design
1959 First victory at Le Mans
1965 DB5 used as James Bond's car in film of Goldfinger
1972 David Brown sells company
1974 Aston Martin in liquidation; rescued by US consortium headed by Peter Sprague
1984 10,000th car; control passes to Automotive Investment of US
1987 Ford buys big stake in Aston Martin

Sales are split almost equally between Britain, the US, and other countries. The 1995 total, which could go up a little this year, was achieved by moving to full production of the DB7, a striking £82,500 ($128,700) sports car which has revived the famous line based on the initials of Sir David Brown, who ran Aston Martin for much of its racing hey-day.

Sales have been buoyed by this year's return to the US market, abandoned in 1994. Almost 20 dealers have been signed up and about 100 orders booked for the DB7 coupé and convertible.

Going into the Middle East, however, is another matter. Mr Price says buyers there prefer four-door vehicles.

The problem, as ever with Aston Martin, is cost. Like Lotus, another famous British marque, Aston Martin's ambitions have often exceeded its means.

The goal of developing a less expensive car to sell alongside exotica such as the £177,600 Vantage and the £139,500 V8 coupé had been a priority long before Ford's arrival. But only under Ford did the new car arrive. Even then, Mr Price admits, early models were dogged by teething troubles.

Mr Price says the uncertainty is now over. He acknowledges Aston Martin will never have the resources to develop an entirely new car on its own. The DB7 should remain in production for another eight years, but future models will have to be developed off the basic structures (platforms) of Fords or Jaguars.

That probably will not matter to Aston Martin's customers. Most recognise that being taken over by a bigger car company was the only way to ensure survival.

Mr Price argues Ford has brought financial stability and access to essential – and otherwise prohibitively expensive – technical resources. "If I need some experts for emissions calibration, I can just call Detroit and have two people over in 48 hours," he says.

He reckons output is about right for the short to medium term. "To go beyond that would require a substantial increase in the workforce and facilities." Although that may mean forgoing a four-door car, at least in the short term, he is confident about Aston Martin's future. Information about the company's financial performance is unavailable, as its results are buried in Ford's group figures. Mr Price just winks: "Let's just say I'm smiling now."

Haig Simonian

Water supply monopoly broken

By Jane Martinson in London

A chicken packing factory is to become the first company to buy water supplies from a company outside its area, breaking the long-standing monopoly enjoyed by the privatised regional utilities.

Anglian Water's deal to supply Buxted chicken factory in eastern England was agreed after the publication earlier this year of government proposals to extend competition.

Mr John Smith, director of regulation at Anglian Water Services, said the initial five-year deal would earn the utility about £100,000 ($156,000) annually.

Mr Smith said he envisaged more applications "once the industry has accepted the precedent and we have demonstrated how it can be done".

Anglian's application to sell water to the poultry factory is one of 14 made under the "inset appointment" scheme set up by the government four years ago. The appointments are designed to enable companies to supply water to large industrial users, defined as those which use more than 250 megalitres of water a year. There are about 500 such plants in the UK.

The Anglian contract will involve building a pipe less than 5km long from a groundwater source in the Anglian area.

The factory is currently supplied by Essex and Suffolk Water but Buxted, is already an Anglian client because it has factories in its area.

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Watchdog 'outrages' National Grid

By Simon Holberton, in London

National Grid Group, the operator of the high voltage electricity transmission system in England and Wales, yesterday said it was "outraged" at proposals by Professor Stephen Littlechild, the industry regulator, to cut up to £1.2bn ($1.86bn) from its profits over the next four years.

Mr David Jones, chief executive, described Professor Littlechild's proposals as "ill-founded and unprecedentedly harsh". He warned that restrictions on the company's investment plans would "impair the efficiency of the transmission system". Mr Jones's remarks followed a tougher-than-expected Offer review.

Professor Littlechild wants to return between £1bn and £1.2bn to consumers between 1997 and 2001. He proposes a one-off price cut of between 20 per cent and 26 per cent and a price cap of RPI-4 per cent thereafter.

Professor Littlechild believes this can be achieved by National Grid reducing its controllable costs by between 4 per cent and 6 per cent in real terms a year, and by cutting planned capital expenditure from £1.1bn to £700m.

National Grid said Offer's proposal would "destroy" value for shareholders. It said it was being penalised for past successes in controlling costs. Its shares ended 10.5p down at 165p.

City of London analysts said they thought the proposals, although tough, would allow the company to maintain dividend growth after allowing for the effects of inflation.

Editorial Comment, Page 9
Lex, Page 10

UK NEWS DIGEST

Brent Spar plans published

Shell UK yesterday published proposals from 19 contractors to dispose of the Brent Spar – the obsolete North Sea oil storage installation that was at the centre of a public relations storm last year over its planned dumping in the deep waters of the Atlantic Ocean.

Many of the proposals call for the Brent Spar to be towed to various harbours in the UK, Norway, the Netherlands or Newfoundland for onshore dismantling and recycling as scrap or as material for artificial reefs or quays. Some envisage refurbishment of the Brent Spar and a new life for the structure.

One proposal calls for the Brent Spar to be turned into an "eco-friendly" floating power station off the west coast of Scotland. A Dutch consortium formed by Hollandia and Volker Stevin Offshore recommends that the topmost portion of the Brent Spar be equipped with three, 3MW windmills. Wave power units would be added in phases to the base structure until the total power output reached 19MW.

Thyssen of Germany believes a decontaminated and refurbished Brent Spar could serve as a wind-powered desalinisation plant off a remote location in Norway.

A Danish consortium formed by Ramboll and Monberg & Thorsen suggested that the upper portion of the Brent Spar be converted to a fixed offshore platform for accommodation or drilling. The Dutch contractor HSM says the storage tanks could be refurbished for use at a Shell refinery.

The Anglo-French McAlpine Doris believes parts of the Brent Spar could be used as a forward supply base for oil field development in the UK's newest oil province west of the Shetland Islands.

The John Wood Group, offshore contractors in Aberdeen, says the topside could be re-used as an onshore training facility, with the bottom portion cut up to form a foundation for a new quay at Mekjarvik in Norway. Amec of the UK envisages parts of the Brent Spar being used to control erosion on England's east coast or as material for a causeway or marina. *Robert Corzine*

■ HEALTH

Government advice 'ignored'

Adults are eating and drinking too much while their children are smoking more, according to a report today which warns that the government's advice on healthy living is being ignored. The National Audit Office, the public spending watchdog, says in the first comprehensive assessment of public health standards, that some of the most important targets set for the next decade are not being met.

The proportion of children aged between 11 and 15 who smoke has risen from 8 per cent in 1988 to 12 per cent in 1994. The target for reducing the figure to 6 per cent has been missed, the NAO said. Parents are doing no better. Figures for 1993 show that 13 per cent of men are deemed to be obese and 16 per cent of women.

The "Health of the Nation" strategy, launched in 1992, has been described by ministers as an integral part of planning for the National Health Service into the next millennium. *Financial Times Reporters*

■ MEDICAL INSURANCE

Premium rises boost revenues

The value of Britain's private medical insurance (PMI) industry grew 6 per cent last year to a record £1.7bn ($2.65bn) while revenues at private hospitals and clinics increased at a similar rate to £1.3bn, a new study shows.

But the latest edition of Laing's Review of Private Healthcare, published today also found that the rise in PMI spending was almost entirely due to premium increases. The number of people with private health insurance was 6.5m, virtually unchanged from 1994 and representing 11 per cent of the population.

According to Mr William Laing, an analyst at Laing & Buisson and the review's editor, the continued stagnation in the number of policyholders means that industry growth over the next few years is now unlikely to be as high as previously expected. *Mark Suzman*

■ MAIL

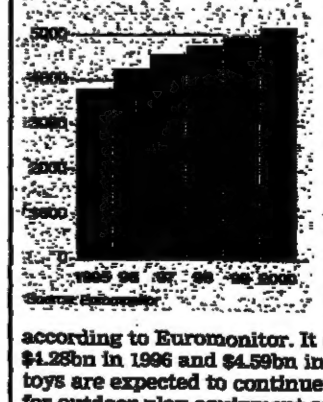
More staff expected to defy strike

Royal Mail said it expected a growing number of staff would defy the strike today and work normally. An estimated 18,000 did so during last week's 24-hour stoppage and far more are expected today.

Further strikes are still planned for August 22 and 30 and on September 2. *Robert Taylor*

■ TOYS

Sales 'to rise 35% by 2000'



The UK toy market is expected to return to growth in the late 1990s after a sluggish period in the middle of the decade, with sales rising by 35 per cent from $3.84bn in 1995 to $5.21bn in 2000, according to an international study by the Euromonitor market research consultancy. As a discretionary purchase, toy sales tend to fluctuate depending on the health of the economy. The toys and games market shrank in 1994 compared with 1993, only to expand when the economy revived the following year, according to Euromonitor. It expects further increases to $4.28bn in 1996 and $4.59bn in 1997. Sales of traditional toys are expected to continue rising, although the market for outdoor play equipment such as climbing frames and swings will continue to decline as fear of crime means fewer children play outdoors. *Alice Rawsthorn*

Campaign for fewer work hours back on track

A Shorter working week for London Underground drivers could be a framework for other industries

The introduction of a self-financing 35-hour basic working week for London Underground Tube drivers by September 1998, achieved in a proposed deal to resolve their seven-week dispute, may revive the momentum of a flagging campaign for shorter hours in other industries.

Further stimulus for employers to agree to a reduction in working hours could also come next month when the European Court of Justice in Luxembourg is expected to reject the UK government's legal challenge to the European Union's directive which prohibits employees from having to work more than 48-hours a week against their will.

The recently privatised train operating companies have been targeted by the rail unions – RMT and Aslef – for a reduction in working hours.

But elsewhere in the UK labour market there are few signs of any reduction in the length of working time. "If anything the trend is towards people working longer, not shorter hours. In this respect we are unique among western European countries," said Mr David Coates, who monitors working time in his role as research officer at the Trades Union Congress. According to the TUC as many as a quarter of Britain's manual workers still work more than 48 hours a week.

Trade unions in the engineering industry relaunched an offensive last year to press for shorter hours. "Their campaign appears to have disappeared in a puff of smoke," says Mr David Yeandle, industrial relations director of the Engineering Employers' Federation.

Vauxhall motor company agreed to a cut hours from 39 to 38 for its manual workers after a strike threat last winter but Fords' successful resistance to a similar demand is seen as a more significant indicator of attitudes in manufacturing. "There is no enthusiasm on the ground for a working hour reduction," said Mr Yeandle. Nor does the picture look much better in the public sector. Negotiations are under way to harmonise working hours between manual workers and white-collar staff in local government as part of a wider strategy to ensure terms and conditions of employment are the same for everybody.

So far, movement to a shorter working week for manual employees has been slow and limited. A 1991 framework agreement committed employers and trade unions to local negotiations designed to introduce an average self-financed 37-hour week by January 1994. But as the Local Government Management Board has admitted: "In practice only a few authorities have been able to reach that target, largely because sufficient productivity gains are not available to offset the cost of reducing hours or because the unions were unwilling to agree to changed working practices." The more important trend, however, is to greater flexibility in working hours, particularly with the spread of annualised hours systems whereby employees agree to work a certain number of hours a year.

A recent survey by Industrial Relations Services, the independent consultants, revealed an acceleration in the number of companies – both in manufacturing and services – that have introduced annualised hours to their operations during the last three years. At least in this respect, the UK is in tune with the greater flexibility in working time being negotiated across western Europe.

Robert Taylor

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ARTS

Television/Christopher Dunkley

Bring on the nearly new

The words "New Series" are used with remarkable casualness in television promotion. Last Friday saw a "New Series" start on BBC1 with a programme first screened in 1974: the guest on *Parkinson, The Interviews* (as distinct from *Parkinson, The Violin Solos* presumably) was Peter Sellers. It was a sticky occasion with the not-very-funny comedian needing vigorous prodding before he would re-tell any of the anecdotes prepared with such obvious care. At least BBC2 had the grace to forego the "New Series" tag on the previous night when it began a re-run of *Hancock* with a startlingly clear recording of "The Blood Donor" which is 35 years old.

The point is that we are in midsummer, the ratings are a few million down from their winter high, and broadcasters are not too keen to waste anything really good. Yet they have to fill the schedules with something, and so new series – many of them genuinely new – keep on appearing. Last week brought the first edition of *The Rantzen Report* which appears to be "new" chiefly in its slot and title. The formula is only too familiar: fill a studio with people on an emotional high because of a shared experience of some sort, ensure that some have diametrically opposed views, and goad them into screeching at each other.

We have seen it often enough before with the radio-mike in the hands of Oprah Winfrey, Kilroy Silk, and of course Rantzen herself. The subject (*ME* on this occasion; one of the Rantzen children has it) is inevitably poorly served, but broadcasters see it as "good television".

On the following night ITV showed the first of a new series called *First Sign Of Madness*, four half-hour dramas described as "*Talking Heads* style monologues". Given the huge success of Alan Bennett's daringly simple 1988 series, *Talking Heads*, you can see why others would want to associate their work with his. The trouble is that you immediately invite comparison, and although the opening episode had the benefit of that superb actor Jim Broadbent playing the fish porter, the script he was given to deliver had neither the subtlety nor the poignancy of Bennett's little masterpieces.

Thursday brought new series from both BBC1 and BBC2. *Dark Secret* describes itself as "a six part series exploring issues of sex and gender that were, or are, taboo". Though there has been a flood of this sort of material on television in the last couple of years, the opening programme still had the power to shock. It told in some detail of how, in the 1960s, homosexuals were subjected (or subjected themselves) to aversion therapy in an attempt to turn them into heterosexuals. Since failure appears so predictable, it would have been interesting to know whether anyone ever claimed a success.

The minute that ended, BBC1 began a series called *Defence Of The Realm* which looked like a clothes show for chaps. Somehow they managed to get Sir Peter Inge to model a long succession of stunning little outfits: jaunty caps, bum-freezers, skintight slacks, scarlet bolero jackets, and that "camouflage" gear that has been so popular recently on the catwalks of Paris and Milan. Since Sir Peter is chief of the defence staff this seemed something of a coup, until you realised that the series is really supposed to be an elephant-on-the-floor (close relative of fly-on-the-wall) documentary, taking the lid off the Ministry of Defence, and Sir Peter wears all those different outfits according to his daily appointments. Judging from this opening episode we are going to see precisely what the *MoD* people want us to see and no more.

The most irritating new series of the week was *Filthy Rich* on Channel 4 on Friday. It was described as being "about the lives of the very rich" but what we actually saw was a nudge-nudge wink-wink conspiracy between producer Ray Hough and subject Eric Hall. Hall appeared on screen for half an hour, and talked a lot without revealing anything of significance about himself. We were given to understand that he is a football players' manager who "makes poor players rich and rich players richer" though, as we were repeatedly assured, he has no licence. Presumably this is part of the gag and there is no such thing as a soccer players' manager's licence. But for those who have never heard of Hall the programme was completely uninformative and a dead loss.

It was immediately followed by the first episode on BBC1 of a "comedy drama" (code for no laughter track) called *Safe And Sound*. You have to admire writer Timothy Prager, director Baz Taylor, and producer Joanna Willett for daring to set a social comedy in Northern Ireland. We may doubt whether it would ever have occurred without the precedent set by Roddy Doyle in his books and then in the television adaptations, but even now it takes some bottle to do it, especially when you set out deliberately to cut across the lines of the two communities. That is not the same as saying that this is funny, but Des McAleer and Sean McGinley are outstanding actors and there was enough depth of material in the first episode to suggest potential.

Europe On The Road (Channel 4, Saturday evenings) is another example of the way in which television is now better than print journalism at providing general background features from abroad. This programme with its reports on German attitudes towards spa holidays (not as many as they used to have, and not as cheap), service in shops and on trains (not as good as in other countries) and the return of collective farms in the east to private ownership (the old communist bosses have become the new capitalist bosses) gave an impressively broad idea of how it might feel to be German in 1996.

On the other hand, another of Channel 4's new series, *Brainspotting*, proved yet again, if proof were needed, the inferiority of television to print as a medium for the investigation of the abstract. Ken Campbell, having attempted to use television to convey to a general audience the main strands of contemporary physics, and having failed pretty comprehensively, has now been given three 60-minute programmes to explain what the human mind is, how the brain works, what is meant by "thought" and so on.

The difficulties are legion. Distinguishing in print between consciousness, self-consciousness and introspection is not intolerably difficult. But try it on television and your producer will probably tell you that most viewers won't understand "introspection" and that you must find a simile or metaphor. Pictures may seem to offer an advantage here over print, but often their literal nature can mislead. Having watched one episode I shall be amazed if, at the end of the series, I feel I have understood a fraction of what was conveyed by the only book I ever read on the subject, Gilbert Ryle's *The Concept Of Mind*, written in 1949.

Ravishing: a scene from Mark Morris's 'I don't want to love', specially commissioned to mark the festival's golden jubilee — Alastair Muir

The magic of Morris

Mark Morris is the Edinburgh Festival's darling, welcomed back year after year. His company's appearances have reminded audiences of the artistic standards they are entitled to expect – and have so often been denied by dance offerings of late. That there have been no ballet performances of first quality since the New York City Ballet and the Royal Ballet brought serious classicism to the festival, is still a problem. But we watch Morris's work with delight, and rejoice at a relationship with the festival which is a credit to both host and guest.

Very properly, the festival marks its golden jubilee with a commissioned piece from Morris. This, seen for the first time on Monday night, is *I don't want to love* – the burden of seven Monteverdi madrigals which are the score. "Non voglio amare" sing the artists of the Concerto Italiano, providing splendid accompaniment, and Morris's seven dancers, white-clad, tell us why. The madrigals treat of love rejected and unavailing. I am almost tempted to think that we should have surtitles, so intimate is the link between words and dance. But the dance speaks, and a moment's homework with the text of the poems in the programme is sufficient to lead into what Morris is doing, while the first level of the choreography – its acceptance of the music's form – is clear and persuasive.

Morris treats the subject lightly but with sudden penetrating moments, as when a lover's isolation or a girl's anguish pierce us (and the dancers) to the heart. Loveliest incident is Morris's realisation of "Zefiro torna", in which the breezes of the title blow the dancers, fluttering and flying and skipping with tiniest steps, over the stage and along the music's lines. It is wholly ravishing, and like the entire work, judged with acutest skill. A lovely anniversary present.

The programme begins with *Ten Suggestions*, of which more anon, but its heart is two contrasting dark pieces. *World Power*, which dates from last year, is puzzling. Lou Harrison's score is made for gamelan with harp and trumpet (well played by the South Bank Gamelan Players). The title is owed to Mark Twain, whose comments upon American military action in the Philippine wars are bitterly satiric, and feature in the score.

96

Morris shows a group of dancers aping Balinese forms without much credibility, gradually succumbing to death and defeat. The patterns of the dance are intriguing; their effect is blatant, and the piece smacks of a polemicism foreign to Morris' work.

As sombre, but very different, is *Behemoth*. This was made in 1990 in Brussels and is performed in silence. For 35 minutes we watch the cast of 15 moving, posing, crossing the stage in waveforms, all trapped within themselves. Non-communication, a bleak sense of isolation, action without feeling (so odd in dance, where every gesture speaks) is the rule. The dancers react with chill unconcern to another's move, occasionally link in duets, and finally sink to earth like husks of themselves. The "message" is not clear, but the effect is fascinating, and the jagged dynamics, the anxious outlines of the dance, are gripping. Form and language are brilliantly wrought, and the piece is grandly done by Morris's artists.

Morris himself, pink-pyjama'd, appeared in *Ten Suggestions*. Each of Tcherepnin's brief piano bagatelles becomes a character study, and in each Morris created a world of emotion. He looks like Isadora Duncan with five o'clock shadow, and, like Isadora, he moves with an innocence, an absolute clarity of intention and feeling, that are marvellous. These are like dance-snapshots of a child playing alone, or of the Earth-mothers of modern dance (Morris can evoke lost-lost styles with a stunning imitative grace). A chair, a ribbon, is a toy. A hoop suddenly awakens images of the 1920s. Baryshnikov has danced *Ten Suggestions* with consummate wit and technical splendour. Morris, unsurprisingly, inhabits them as his world. Every step comes from inside the dance and inside him, and the density of his presence (accentuated in the pauses between each, when character falls away and we see a bulky man mop the sweat from his brow) is extraordinary. *Ten Suggestions* are far more considerable than at first seems, and Morris is a great artist when he dances them: beautiful because speaking so beautifully, so truly to us.

Clement Crisp

Sponsored by TSB.

'Fidelio' speaks for the festival

The 50th Edinburgh festival took wing on Monday with *Fidelio*. Beethoven's opera may not be the most original programme-idea, and this performance was only in concert. But no matter: it echoed the world which brought the festival into being, freed from the threat of tyranny; it proclaimed Edinburgh's enduring internationalism, while drawing on the services of a Scottish orchestra and chorus; and it matched the standards of excellence by which all great festivals must be judged.

The lynchpin was Sir Charles Mackerras, whose opera concerts at the Usher Hall have become a feature of the Edinburgh programme. This *Fidelio* had been studied afresh and immaculately prepared, with more than a nod to period style. It had a smell of the theatre. Most important of all, it confronted the listener with the blazing originality of the piece, its intellectual strength and emotional depth.

It also suggested how *Fidelio* should sound with the scale of forces available at the Theater an der Wien in 1805. The Scottish Chamber Orchestra offered a more intimate reading, with sharper definition of instrumental colouring, than the big symphonic sound we usually hear. This resulted in some fascinating pay-offs, particularly in the way Beethoven uses the brass for dramatic tone-painting. The harsh, opaque timbre of natural horns cut through the orchestral texture like baleful sirens, no more potently than in the gloom-laden Act 2 introduction. The Leonore-Rocco dungeon duet, shadowed by evil-sounding trombones, was another passage I felt I was hearing for the first time.

Elsewhere, Sir Charles brought a thrilling immediacy to the proceedings, his quick tempi and even quicker-witted phrasing offering shafts of insight without drawing attention to themselves in the Harnoncourt manner. The only real disappointment was the cancellation of Anthony Rolfe Johnson as Florestan: Heinz Kruse sang reliably, but with little sense of emotional emancipation – unlike Anne Evans (another late change), whose Leonore, looking and sounding 35, was incandescent. Siegfried Vogel brought Rocco to life with minimal gesture and vocal largesse. Franz-Josef Kapellmann was the stentorian Pizarro, Ildiko Raimondi a gorgeous Marzelline and John Mark Ainsley an idiomatic Jaquino.

Beethoven also dominated the opening concert on Sunday – and here, too, the Edinburgh Festival Chorus (chorusmaster: David Jones) made an outstanding contribution. Indeed, its full-bodied but precise singing in the finale to the Ninth Symphony was one of two redeeming features in a dispiriting evening (the other was Bryn Terfel's lusty baritone solo). Unlike *Fidelio*, the performance revealed a chasm between intention and execution: Donald Runnicles was evidently trying to do something with the music he was not capable of realising. He was clearly aiming for the kind of fast, athletic performance which has recently become *de rigueur*. Using monumental forces – a full-strength Royal Scottish National Orchestra – he proceeded to iron out all trace of monumentalism in the music, with no compensating clarity of line or texture.

The programme also suffered from a dose of commemorative correctness. Prefacing Beethoven's Ninth with Schoenberg's short and strange *A Survivor from Warsaw* may make sense on paper – remembrance of the past linked to an optimistic view of the future – but it did not add up to a satisfactory whole.

Between Beethoven and Beethoven came Monday morning's recital by the Danish baritone Bo Skovhus at the Queen's Hall. Skovhus has a growing reputation in German-speaking Europe, particularly Vienna, but he provided scant justification for it here. He lacks the range of colours required by a Lieder singer, the voice sounding squeezed above the middle range. His group of Heine settings was flat and one-dimensional. He sounded more at home in the brash, youthful vein of the extrovert Strauss songs in the second half. Helmut Deutsch was the unobtrusive accompanist.

Andrew Clark

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● Koninklijk Concertgebouworkest: with conductor Riccardo Chailly perform works by Schoenberg and Bruckner; 8.15pm; Aug 16

EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● South Wing: after three years of renovation, the museum's South Wing is open to the public again.
Displays of 18th and 19th century paintings, Asian art, costumes and textiles are on view in 16 new rooms; to Sep 22

■ BARCELONA

EXHIBITION
Museu Nacional d'Art de Catalunya Tel: 34-3-4237199
● The Splendour of Baroque Painting: exhibition featuring 56 works from the museum's collection, allowing the public to follow the evolution of the different styles of the 16th, 17th and 18th centuries, from Mannerism to Rococo. Artists represented include Tintoretto, El Greco, Rubens, Tiepolo, Fragonard, Ribalta, Ribera, Velázquez, Zurbarán and Viladomat; to Nov 15

■ BERLIN

EXHIBITION
Agyptisches Museum und Papyrussammlung – Charlottenburg Tel: 49-30-3209126
● Theatrum Hieroglyphicum. Agyptischen Bildwerke des Barock: exhibition of a series of 18th century pseudo-Egyptian statues and reliefs that were created for the Park von Wörlitz. The works on display give an insight into the ideas and perceptions of ancient Egyptian culture that prevailed at this period of time; to Sep 7

THEATRE
Maxim Gorki Theater Tel: 49-30-202210
● Children of the Sun: by Maxim Gorki (in German). Directed by Schmidt. The cast includes Susanne Böwe, Thomas Schmidt, Marie-Lou Sellem and Till Weinheimer; 7.30pm; Aug 18

■ BOLOGNA

EXHIBITION
Galleria d' Arte Moderna Tel: 39-51-502859
● Gilbert & George: an Anthology: retrospective exhibition devoted to the work of the British artist-duo Gilbert & George. The display includes 100 large works from the 1970s to the present; to Sep 8

■ BREGENZ

CONCERT
Bregenzer Festspiele – Festspiel und Kongresshaus Tel: 43-5574-4920
● Symphonieorchester Vorarlberg: with conductor Christoph Eberle and pianist Stefan Vladar perform works by Brahms and Bartók. Part of the Bregenzer Festspiele; 11am; Aug 15

THEATRE
Theater am Kornmarkt Tel: 43-5574-4920
● The Taming of the Shrew: by Shakespeare (in German). Directed by Johanna Schall and performed by the Deutsches Theater und Kammerspiele Berlin. Part of the Bregenzer Festspiele; 8pm; Aug 15, 16, 17

■ CHICAGO

EXHIBITION
Art Institute of Chicago Tel: 1-312-4433600
● Roy DeCarava: A Retrospective: exhibition of more than 200 photographs by Roy DeCarava, ranging in date from 1949 to 1994. The exhibition captures the wide variety of subjects he addressed over the years, from intimate still-lifes to portraits of jazz musicians to poignant reflections of the panorama of daily human life; to Sep 15

POP-MUSIC
Rosemont Theatre Tel: 1-708-671 5100
● Gipsy Kings; 8pm; Aug 16

■ EDINBURGH

EXHIBITION
Royal Scottish Academy Tel: 44-131-2256671
● New Small Works: an exhibition of new small works by members of the Royal Scottish Academy. Artists represented include President William Baillie, Secretary Ian McKenzie Smith, Barbara Balmer and Sandy Fraser; to Oct 6

■ LOS ANGELES

CONCERT
Hollywood Bowl Tel: 1-213-850-2000
● The Hollywood Musical – On Stage And Screen: The Hollywood Bowl Orchestra with conductor John Mauceri perform works from musicals like Singin' in the Rain, The Band Wagon and An American in Paris; 8.30pm; Aug 16, 17

■ MUNICH

EXHIBITION
Haus der Kunst Tel: 49-89-211270
● Grosse Kunstausstellung München: annual exhibition of contemporary art, organised by Munich artists. This year, the central theme of the exhibition is the interaction between painting and sculpture; from Aug 21 to Oct 20

■ NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● Mostly Mozart Festival Orchestra: with conductor Gerard Schwarz, pianist Garrick Ohlsson and soprano Hei-Kyung Hong perform works by J.S. Bach, Mozart and Clementi; 8pm; Aug 16, 17

EXHIBITION
International Center of Photography Tel: 1-212-860-1777
● In Times of War and Peace: The Photographs of David and Peter Turnley: exhibition of over 200 works by David and Peter Turnley, who have photographed every major news event of the past 15 years, including the revolutions in Eastern Europe, the uprising in Tiananmen Square, the dismantling of the Berlin Wall, the inauguration of Nelson Mandela, the Gulf War and the Bosnia conflict; to Sep 8
The Metropolitan Museum of Art Tel: 1-212-879-5500
● American Printmaking 1860-1900: Winslow Homer and His Contemporaries: an exhibition to complement the Homer painting retrospective by providing a context for the artist's printmaking efforts; to Sep 22

■ PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Fréderick J. Kiesler: retrospective exhibition devoted to the architect/artist Frederick Kiesler (1890-1965). The display gives an overview of his architectural designs and ideas and shows a selection of his paintings, sculptures, installations, stage designs and other works; to Oct 21

■ SALZBURG

CONCERT
Grosses Festspielhaus Tel: 43-662-80450
● Wiener Philharmoniker: with conductor Pierre Boulez perform Cerha's Impulse and Mahler's Symphony No.7. Part of the Salzburger Festspiele; 11am; Aug 15, 16 (8.30pm)

■ VIENNA

EXHIBITION
Museum des 20. Jahrhunderts Tel: 43-1-7996900
● Coming Up – Young Art from Austria: exhibition focusing on up-and-coming or relatively unknown young Austrian or Austrian-based artists. The show aims to serve as a counterpoint to Austria's millennium celebrations this year, which include mostly retrospectives and historical projects; to Sep 15

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Edward Mortimer

Determined selves

A legal formula for recognising states remains elusive. Some states must make do with less than full sovereignty

Did the break-up of the Soviet Union give Chechens the right to secede from Russia? If Croatia and Bosnia had the right to secede from Yugoslavia, did that give Serbs in either republic the right to set up their own state?

No issue has generated so much conflict and bloodshed since the end of the cold war as the right of national self-determination. And no one is better placed to speak about it than Professor Danilo Türk, the Slovenian ambassador to the United Nations. As professor of international law at the university of Ljubljana, he was a well-known expert on minority rights long before Yugoslavia broke up. When it did break up it fell to him to make the legal case for Slovenia's independence.

As the representative of a new nation state, Prof Türk can hardly avoid claiming that nations do have an inherent right to statehood. But when he debated the issue at Warwick University he proved very cautious about the circumstances in which that right can be exercised.

Prof Türk noted three approaches to the recognition of new states:

- The self-preservation argument. A people may claim independent statehood when threatened with annihilation.
- The liberal democratic argument. A people has the right to opt out of a state where it no longer feels at home. This is rejected by most commentators, who hold that a people must take account of the needs and rights of others besides itself. But in Prof Türk's view that argument should cut both ways: if no people has an absolute right to secede, no people should have an absolute right to hold another in a union against its will.
- A "comprehensive calculation", taking into account various factors: the legitimacy of the claim (is "the people" constituted as such?); the ability of the government to represent people (is "the people" truly represented by those claiming statehood in its name?); and the degree of destabilisation the claim creates.

He concluded that the right of self-determination is a "powerful mobilising political principle", but "has not so far been helpful as an organising principle", because "the corresponding obligations of states are not clearly defined". In practice, states "reserve the right to deal with situations on a case-by-case basis", and therefore "we must accept that the level of legal regulation will remain for the foreseeable future rather low".

In other words, might will continue to be the better part of right, and the price of statehood will continue, in most cases, to be conflict and bloodshed.

Is independent statehood the only outcome of national self-determination? It is certainly the most desired. Indeed, in most contexts the very use of the term "nation" to describe a group implies that it has some sort of theoretical right or ultimate aspiration to statehood. If nations do not push their claim it is usually because they regard statehood as unachievable or impracticable. It does not mean they renounce it as an ideal.

> Might will continue to be the better part of right, and the price of statehood will continue, in most cases, to be conflict and bloodshed

Autonomy is often proposed, and sometimes accepted, as a compromise solution. All too often it leads, as Prof Türk noted, "to situations in which no one is satisfied". But it may sometimes be better for everyone to put up with being a bit dissatisfied than for one party to achieve total satisfaction at the expense of total dissatisfaction for another.

Autonomy does not have to take a territorial form, though that may be appropriate when a national minority is the local majority in a particular part of the country.

Gidon Gottlieb, professor of international law and diplomacy at Chicago and author of *Nation Against State* (Council on Foreign Relations, 1993), calls for "fresh thinking about functional territorial arrangements in disputed lands", as well as "new sets of concepts in regard to borders, national homes, citizenship, nationality and forms of association between peoples".

Prof Gottlieb denounces the two "pernicious doctrines" that "national sovereignty must be absolute" and that "in every state there must be one nation". The time has come, he argues, "to come up with new constitutional and doctrinal frameworks to conciliate between the notion of absolute sovereignty and state unity and between national rights and claims for separation which threaten states whose integrity is a pillar of international peace".

To debate with Prof Gottlieb I invited Neil MacCormick, Regius Professor of Law at Edinburgh and a leading light in the Scottish National Party, hoping that he would insist on the right of every nation to its own state. In this I was disappointed.

MacCormick does indeed favour "independence in Europe" for Scotland, but only because he thinks the EU a less problematic way of "continuing union among the parts of the British Isles" than the federal or quasi-federal UK proposed by the Labour and Liberal Democrat parties. On the more general point, however, he agrees with Prof Gottlieb, rejecting "sovereign-state nationalism" in favour of "liberal nationalism".

This means that he favours individualism, but believes that "a sense of national identity and belonging does for a very large part of the present population of the world play an important part in individuals' self-understanding". They see themselves as members of a nation, and as such are "in principle entitled to effective organs of political self-government within the world order of sovereign or post-sovereign states".

But this principle has to be implemented in ways that do not conflict with other "equally important, or more important, values and principles" and is subject to "constraints of time, place and circumstance". Therefore, while each nation is entitled to organs of self-government, "these need not provide for self-government in the form of a sovereign state".

If only all nationalists were as rational and moderate as that!

This concludes a series on ethnicity, nationalism and statehood, based on debates last winter at the University of Warwick. Articles in the series appeared on July 24 and 31 and August 7. The concluding debate between Sir Leon Brittan and John Redwood was published in the FT on May 16.

LETTERS TO THE EDITOR

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Loyalty and customer relations

From Mr Bob Tyrrell.

Sir, Peter Martin's article, ("Good relationship guide", August 8) leaves out a couple of important things about loyalty and relationship marketing best practice that have emerged in the course of our consulting.

First, many of the schemes *masquerading* as "loyalty" would be better described as attempts to keep dissatisfied customers. We have identified a customer behaviour spectrum with "voice and loyalty" (they stay with you and tell you if there is something they don't like) at one end and "exit" at the other. Many loyalty schemes successfully protract an intermediary point where individuals are "suffering in silence". This is dangerous behaviour to encourage.

Better than this would be to invest in more convenient opportunities to use "voice". A sense that a company is accessible can itself ameliorate negative feelings produced by other sources of dissatisfaction.

Second, I agree that an important facet of a loyalty strategy is to increase the costs of switching, but don't do it with "penalty" schemes. Many financial services have traditionally retained customers through this strategy – with dire consequences now that the market is liberalising.

Other examples of penalty schemes are airline frequent flyer points and the new grocery store loyalty cards. These also illustrate the, ultimately, zero sum nature of the advantage the schemes produce. Our work suggests that the individuals most likely to take part in one airline scheme, or to join one store's loyalty programme, are those most likely to be in the principal rival's scheme too. It looks to me like the most promiscuous customers are the ones being rewarded.

The strategy needs to be to increase the "barriers to exit", but to make them about lost pleasure rather than pain in leaving. Pleasurable barriers are those that arise when our specific needs and personality are recognised by our suppliers. In our Dataculture programme in 1995 we found individuals to be generally very receptive to providing information about themselves to companies with which they deal. When asked what they would like in return for providing this information, 66 per cent of the 1,000 sample surveyed said they would like better service; only 53 per cent cited discounts, promotions and the like.

Bob Tyrrell,
chairman,
The Henley Centre,
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London EC4V 6AY, UK

Virtue in Argentina

From Prof Steve H. Hanke.

Sir, David Pilling reports that Argentina's new economy minister, Mr Roque Fernández, will be forced to adopt the same policies as his predecessor, Mr Domingo Cavallo ("Different minister, same Argentina", August 8). This is true.

Thanks to Argentina's currency board-like system, the "fine-tuning" of monetary policy is strictly limited, and the fiscal authorities have little room for manoeuvre. Contrary to some experts interviewed, I believe that the system is a blessing, rather than an irksome constraint. The discipline it imposes allowed Argentina to survive the ravages of the tequila effect, register an inflation rate of 1.6 per cent in 1995, and enter a virtuous cycle.

The uneventful transition from Mr Cavallo to Mr Fernández also owes a great deal to Argentina's strict monetary constitution. Just last week, Argentina was able to re-enter the Eurodollar market with a $500m, three-year, floating-rate note, and its pricing indicates that Argentina's country risk has not changed since Mr Cavallo's departure.

Steve H Hanke,
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Buenos Aires,
Argentina

Turkey's Cyprus policy questioned

From Mr C. Evangelou.

Sir, The murder of a young Greek Cypriot protester by Turkish military and civilian extremists on the ceasefire line in Cyprus ("Fighting mars Cyprus protest", August 12) draws attention to the fact that while freedom of movement is possible throughout all of Europe it remains impossible for Greek Cypriots who were ethnically cleansed since the Turkish Invasion of 1974.

While the Turkish occupation regime was prepared to allow a few non-Cypriot European bikers to enter the occupied zone it insisted that no biker of Greek-Cypriot origin could enter. The bikers' slogan was clearly emblazoned on their T-shirts: "A world without borders". Ankara's message is clearly the opposite.

How can Turkey expect to be treated as a serious nation within the community of European nations when it continually fails to abide by the most basic of principles underlining the European Union?

C. Evangelou,
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Cadbury and Greenbury codes ill-considered

From Mr Andrew Cook.

Sir, In his article on non-compliance with the Cadbury and Greenbury codes ("Small companies fight shy of corporate codes", August 8) William Lewis specifically cites William Cook, and the claim that our non-executive directors lack "independence", implying that the absence of audit and remuneration committees is evidence per se of poor corporate governance.

William Cook is a small public company engaged exclusively in the manufacture of metal components. The board takes the view that it is essential that all directors have a working knowledge of the business if they are to make a useful contribution.

It further considers that separate remuneration and audit committees are unnecessarily bureaucratic and divisive.

The auditors' post-audit review is sent to each director at his home and any director with a question they would prefer to put to the auditors in private is encouraged to do so. No director is present when his remuneration is discussed or voted on.

These measures are considered to be good and proper practice, irrespective of the Cadbury and Greenbury codes.

It has to be recognised that both the codes were somewhat hasty and ill-considered, being rushed into being as a result (in the case of Cadbury) of overt boardroom misbehaviour and (in the case of Greenbury) of public opinion (the good old British envy syndrome again). Neither are particularly satisfactory documents and both, it could be argued, create as many difficulties as they solve.

The board of William Cook considers that the interests of the company itself, its customers and its employees must all be taken into account in satisfying its duty to the shareholders. A cohesive and united board which understands the business and which is not looking over its shoulder at some self-appointed code "policeman" is essential for this.

It would appear that Britain's public company boardrooms are in danger of being coerced into putting code compliance before what their real job is, namely, running their businesses.

Andrew Cook,
chairman,
William Cook,
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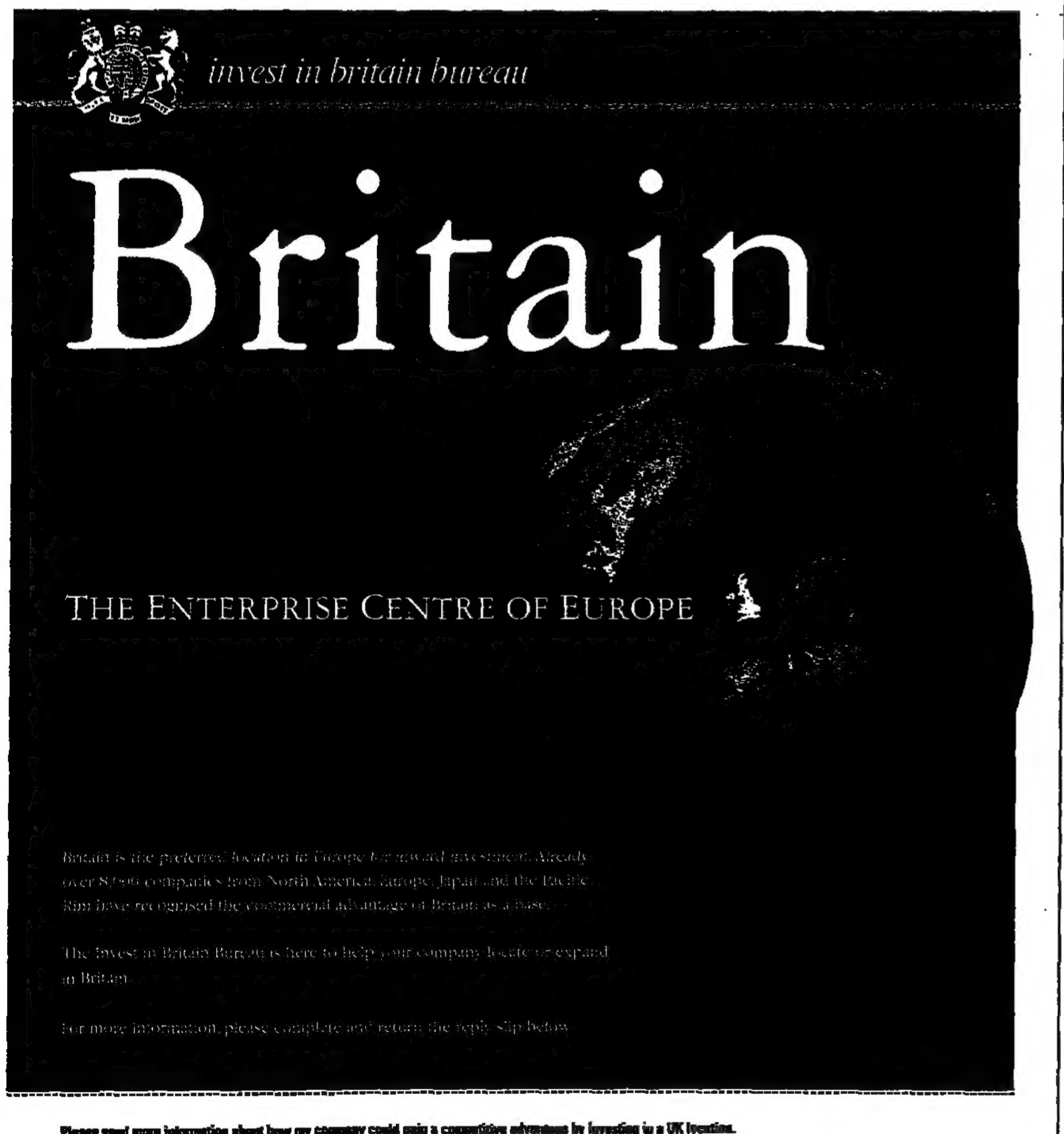

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Scheherazade Daneshkhu on the rise of 'multi-leisure' centres

A profitable projection

When Arnold Schwarzenegger, Hollywood superstar, flew to London last week to launch *Eraser*, his latest film, he did something unusual: instead of going to Leicester Square in the West End for the premiere, he went to the Warner Bros cinema in a new "multi-leisure" complex in Finchley, north London.

It was an endorsement of a concept rapidly being developed in the UK – mainly by the big cinema operators – to provide one-stop entertainment locations. They are the leisure equivalent of out-of-town shopping centres.

Muscling into the scene: Schwarzenegger arrives at the Finchley complex for the premiere

The typical multi-leisure centre will have a multiplex cinema and a car park at its core, around which other activities – often bingo, ten-pin bowling, nightclubs and fast food outlets – are built.

"We are very bullish about these leisure destinations," says Mr Adam Fowle, managing director of Bass Leisure Entertainments, part of Bass, the brewer and leisure group.

Bass, which recently opened a large bowling centre at the Finchley leisure park, works with property developers and cinema operators such as Warner Bros on developing multi-leisure sites. Bass's Finchley bowling centre includes a micro-brewery, 26 lanes of ten-pin bowling, video games and a *Wendy's hamburger* franchise.

Last week Rank, which already has six multi-leisure centres, said it would be stepping up investment to have 15 altogether by 2000. It is opening one in an old docklands site in Glasgow next month and two more are due to open next year.

"What we offer is a complete day out," says Mr David Vaughan, managing director of Rank Leisure, part of the UK's Rank Organisation. "We are convinced that is the future for leisure in Britain."

Rank opened the £22m Leisure World complex at Hemel Hempstead, Hertfordshire, a year ago, and says the 11-acre complex – attracting between 30,000 and 35,000 people a week – is earning profits that are three years ahead of projections.

But the Hemel Hempstead Leisure World is unusual because the land and almost all the businesses on it are operated by one company under one roof.

The complex is unlikely to win any architecture awards: inside an enormous shed on a huge car park customers can find an Odeon cinema, a Pizza Hut and bars with live music, pool tables and video games.

Multi-leisure centres are proving a commercial success, the operators say, because people tend to stay there longer than in a single place of entertainment, and to spend more because there are more things to do. Rank says people stay an average of three and a half hours in the Leisure World building and spend money on two or more of the entertainments.

Mr John Garrett, managing director of Rank's recreation division, says the cinema is essential for such multi-leisure centres to attract a broad spectrum of customers. "If we didn't have the cinema we wouldn't get the older higher socio-economic group," he says. "And this year we're had films like *Sense and Sensibility* which are right up their target alley." The centre, which also includes ice skating, a fun pool and a play centre for children, attracts families and younger children in the day while two discos draw in teenagers at night.

Mr Fowle of Bass believes the target market of families and other customers between the ages of 20 and 35 appreciate multi-leisure centres partly because of their security: they do not involve going into town centres late at night.

Mr Bob Tyrrell, chairman of The Henley Centre, the forecasting group, says the appeal of multi-leisure centres fits in with leisure trends. Pressures on time – and safety fears – are contributing to more people spending more time at home. "But when people do go out, they tend to spend longer away from home," he says.

Mr Tyrrell believes the centres also cater to an increasing tendency for people to decide where to go before choosing what to do. "Multi-leisure facilities allow us to do things while we are out, instead of us going out to do things."

Although Rank says the the ideal is to have all the entertainment in one shed, instead of moving from building to building, environmental considerations are making it difficult to obtain planning permission for such large complexes. Leisure World took one year to build but five years to go through the planning process at Hemel Hempstead.

Both Rank and Bass are also looking to develop multi-leisure centres in mainland Europe, where similar schemes do not yet exist. Mr Fowle says although elements of the UK multi-leisure centre exist in the US, "they tend to be big cinema complexes with less to do on the site – or to be shopping malls with entertainments".

"There is no doubt it's going to happen in Europe," says Mr Garrett. "But it's got to create its own ambiance. In Spain it would have to have outdoor life, and in Italy – where the whole family likes to do the same activity – you can't put a nightclub in and have nowhere for mama and papa to go because it just won't work." For the time being, most of the multi-leisure centres visited by the likes of Arnold Schwarzenegger in Europe will be in the UK.

FINANCIAL TIMES

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Wednesday August 14 1996

Frankfurt v le franc fort

Seems like old times. The Bundesbank confounds hopes of a cut in German interest rates at its July council meeting. And the French franc spends August coping with the consequences.

The similarities between this and previous summer bouts of franc weakness will not have been lost on Mr Jean-Claude Trichet as he seeks, once again, to persuade the speculators that they cannot win. If anything, the governor of the Banque de France must be even less likely to abandon his commitment to the *franc fort* today than he would have been a few years ago. But that does not make France's immediate economic prospects any brighter.

Investors are worried about the dual threat of a deteriorating public balance sheet and a stagnant real economy. Last week Prime Minister Alain Juppé reiterated his pledge that he would do everything necessary in this year's budget to achieve a 3 per cent of GDP general government deficit next year following a 4 per cent shortfall in 1996. Yet few in the market share his confidence.

A combination of poor revenue growth and spending overshoots has pushed Mr Juppé into promising to announce a further FFr60bn (£8bn) in public spending cuts in the autumn. The public sector unions are gearing up to oppose this further bout of austerity, and in the current climate they may get popular support. Worse, even if the cuts are achieved, they will not help France come close to its Maastricht target if the economy continues to stagnate.

Lower German interest rates would allow some room to ease the pain with easier monetary policy. The Bundesbank has been promising this kind of jam for some time: but always tomorrow. It offered the same hope yesterday in its monthly report for August, stating coyly that it would "carefully observe the developments of M3 in the next months to determine whether it and monetary policy conditions present room for lower money market rates."

The Bundesbank should stop hinting and start delivering. There are solid, domestic, arguments for it finally to announce a reduction in the German repo rate from its present level of 3.3 per cent when the council meets later this month. Inflation is subdued, at 1.6 per cent in July, and look sets to remain so; the Bundesbank now expects this to be the average rate for the year as a whole. Equally, it predicts that the annualised rate of growth of German broad money (M3) will move back within its 4 to 7 per cent target range during the second half of this year.

These arguments are not much weakened by recent signs that the German economy is recovering faster than previously thought – especially with the German government itself heading for another round of budget reductions in the autumn.

France, then, has every right to expect a helping hand from Frankfurt. The trouble is that, to judge by the French economy's recent dire performance, crumbs from the Bundesbank may not be sufficient to get France out of the doldrums and into Emu. Investors have lost a lot of money betting against the franc fort, and are likely to do so again. But their gloom about the economy is not at all misplaced.

New Satan

Satan, the Bishop of Oxford has opined, is not a fit person to be employed in a Conservative election campaign.

One may question the good taste of the latest Tory advertisement, which showed Mr Tony Blair, the Labour leader, peering out of a kind of Satanic mask. One may question the wisdom of attacking Labour with such a negative slogan as "New Labour, New Danger".

But the bishop is foolish to bring in theology. Satan has long been redundant in the Church of England, so why should he not find part-time employment in politics? His function, even in hellfire sermons, was to terrify those who had strayed from the right. Tory strategists have a similar purpose. They are appealing narrowly to the lost Tory souls who, since the 1992 election, have listened to the temptations of Mr Blair's New Labour and, according to the polls, believe that its soul is now uncorrupted by socialism.

It is a pity that this argument is not being conducted on a higher intellectual plane, or indeed on any intellectual plane. Yet the fundamental issues are by now familiar to most UK voters. They are: can New Labour be believed in professing a theological conversion from old socialism? And what exactly would this mean?

Mr Blair has so far concentrated his fervour on the first of these questions, leaving the details tantalisingly vague, or shrouded in an ambiguous liturgy of phrases such as "the stakeholder society". As New Labour seeks to establish the credibility of its brand image, the Tories see little option but to attack its very identity.

The result, so far, has been the most negative and unspecific campaign in recent electoral history. Research after the last US presidential election suggested that negative campaigning can be effective, but that it leads to a lower turnout on election day.

This suggests that if both parties market themselves like soaps, each saying the other leaves us dirty, voters will simply stop listening. The British political tradition includes many examples of abuse and underhand campaigning, but it also shows that people respond well to vigorous and substantial debate. The Tories might also remember that in the 1945 election campaign Winston Churchill compared Labour to the Gestapo.

He was kicked out of office.

Power play

Professor Stephen Littlechild, the UK electricity regulator, is having a busy August. Yesterday he announced tough new price controls for the National Grid – a welcome new discipline. More important to the market, however, was his proposal last week that he assume new powers to accelerate progress towards full retail competition between regional electricity companies in April 1998.

Since competition in the transmission and generation of power is very weak, he has little choice but to force the pace at the retail end. It is unfortunate that regulatory action is necessary to open this market, but without it the industry is unlikely to meet the government-imposed deadline. The fact that Mr Littlechild is acting in such an improvised way highlights serious shortcomings in the industry's present structure.

Understandably, the 14 electricity supply companies have little enthusiasm for greater competition. When all consumers are free to choose their supplier and new suppliers can enter the market, the existing companies' oligopoly will be threatened. Moreover, potential new suppliers include groups such as supermarkets which are much better at marketing than the electricity companies.

Having failed to cajole the industry into action, Mr Littlechild now proposes to include in the electricity companies' licences terms designed to prevent companies dragging their feet. Groups which fail to meet deadlines for preparation, including investing in computers, meters and trials, will be asked to contribute to the costs of work carried out by rivals. Groups which fail to provide adequate access to power for new market entrants will be required to supply it at disadvantageous terms.

This mechanism will not by itself guarantee the creation of a fully liberalised electricity market. Mr Littlechild also needs more and better-qualified staff to work with the industry on the 1998 programme.

Competition in the retail market, combined with firm control of grid prices and generating costs, would bring significant benefits to consumers. For this reason, the government should remind power companies that the successful launch of competition in 1998 is in their own long-term interests. If they fail, any future government would come under strong pressure from consumers to take stronger action against them.

Tempted to loosen the belt

The industrialised countries are in danger of sacrificing hard-won economic gains to buy off popular discontent, says Robert Chote

Many observers on Wall Street dismissed Mr Bob Dole's proposal last week for a $548bn tax cut package as a populist gesture from a presidential hopeful fast running out of hope. Fiscal purists scorned the idea that he could finance his proposals with ill-defined reductions in government spending and an implausible acceleration in economic growth.

Whether Wall Street is forced to take Mr Dole any more seriously after the razzmatazz of the Republican convention in San Diego remains to be seen. But his fiscal proposals are important because they reflect frustration with economic performance that extends beyond the US.

"With politicians increasingly clueless about how to deal with worker angst, the quick fix of the so-called growth dividend seems all the more alluring," argues Mr Stephen Roach, economist with Morgan Stanley in New York.

In the US Mr Roach foresees an emerging bi-partisan consensus, in which Republicans and Democrats alike will be tempted by the apparent "death" of inflation to use fiscal activism to boost the feelgood factor. He sees parallels in Europe and Japan as well, where it is unclear whether governments will deliver promised cuts in budget deficits.

The idea that fiscal belt-loosening may be coming back into fashion may still seem far-fetched. After all, the Organisation for Economic Co-operation and Development predicts that every leading industrial country bar Belgium and Norway will cut its structural budget deficit between this year and next.

In Europe, most governments are committed to further cuts in their borrowing by the terms of the Maastricht treaty. This sets would-be participants in a single currency the target of reducing budget deficits to less than 3 per cent of gross domestic product.

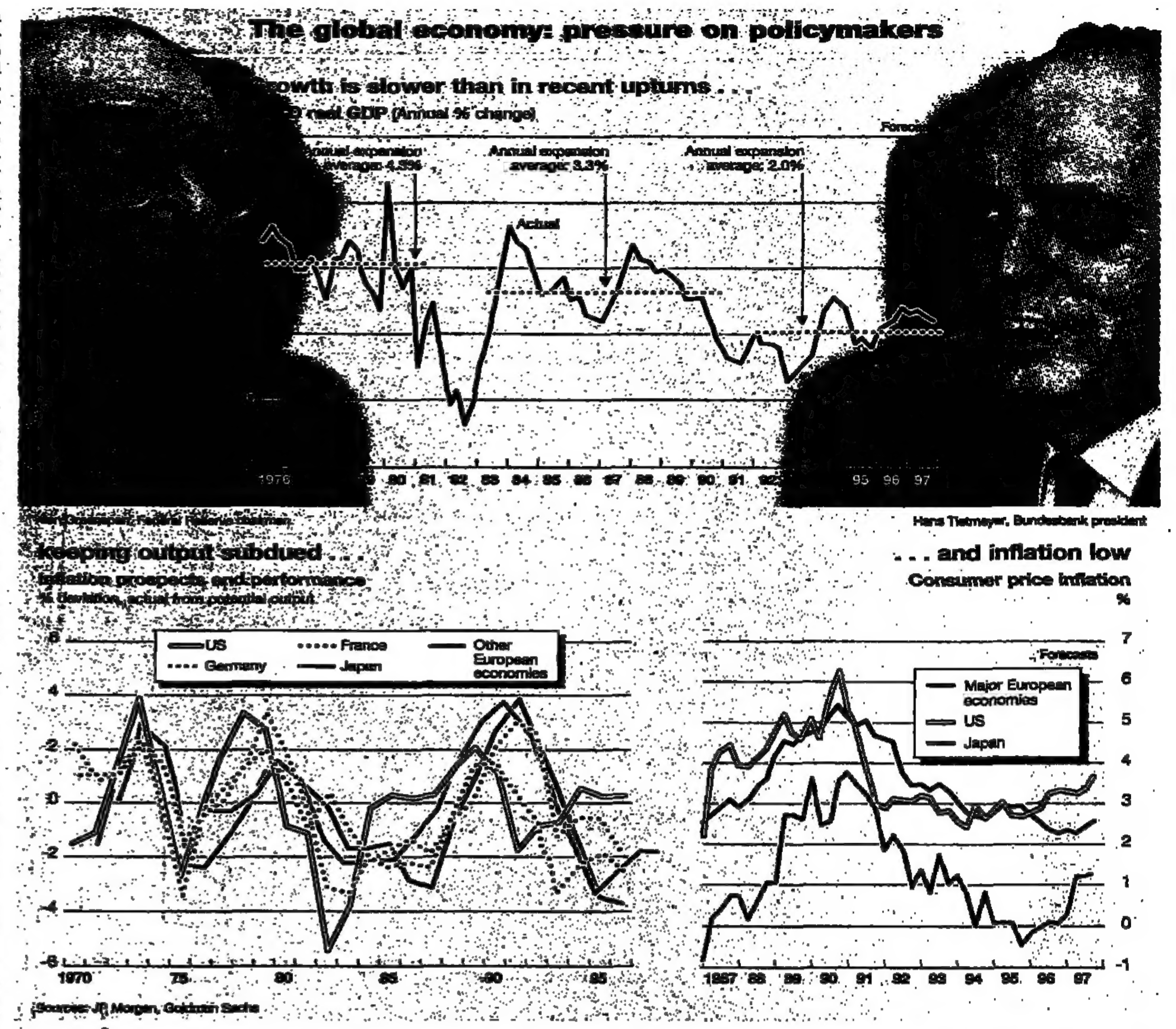
But Mr Roach believes their resolve will simply crumble: "The European promise to pursue fiscal convergence will ultimately not be kept. Even if Europe goes down that route, it is doomed to failure for a region with 11 per cent unemployment."

This would be an embarrassing reverse. In recent years, albeit with varying degrees of enthusiasm, most governments and central banks across the industrial world have adopted the orthodox policy prescriptions espoused by the OECD and the International Monetary Fund – cutting government borrowing and adjusting interest rates promptly to keep inflation under control.

Taken as a whole, the industrialised countries are now in their third successive year of fiscal tightening. Budget deficits have been cut to their lowest level since the 1980s, even excluding the improvement brought about automatically by the upturn in the economic cycle.

Timely moves in interest rates have meanwhile helped keep inflation at its lowest level in recent memory, as has intensifying global industrial competition and the fact that the world's leading economies are not all recovering at the same time. Prices are expected to rise by less than 3 per cent this year in 19 of the OECD's 27 member countries.

But politicians and electorates in these countries have increasingly been asking: where is the pay-off for virtuous behaviour?



Mr Philip Suttle, at J.P. Morgan in New York, predicts average economic growth of about 2 per cent a year in the industrialised countries during this upturn, compared with 3.3 per cent in the 1980s and 4.3 per cent in the 1970s. Small wonder that Mr Dole sees political mileage in a promise to lift the US growth rate from 2.3 per cent or so to a sustainable 3.5 per cent.

One reason for people's disappointment is that peddlers of the anti-inflation orthodoxy have long claimed that low inflation will itself encourage growth. The reasoning is straightforward: low and stable inflation encourages investment and helps the economy work efficiently by making changes in relative prices clearer to businesses and consumers.

The theory may be persuasive, but the facts do not fit. Mr Michael Sarel at the IMF concluded in a recent study that inflation only begins to damage growth when it reaches 8 per cent – well above the rates experienced by most industrial countries in recent years. If anything, his results imply that trying to reduce already low inflation impedes economic activity rather than encouraging it.

"There is a sense that the effort to kill inflation may have gone too far," argues Mr John Llewellyn at Lehman Brothers, London.

Mr Suttle at J.P. Morgan argues that if sound budgetary and interest rate policies are failing to yield a growth dividend, then policymakers will have to give more attention to structural reforms which might encourage savings and investment.

In advocating cuts in marginal rates of personal and capital gains taxes, the Dole proposals already nod in this direction. But Mr Suttle argues that raising enough money to pay for the sort of tax reform that would make a difference to economic growth would demand an assault on the costs of welfare, healthcare and social security which mainstream politicians can neither advocate nor deliver.

In the meantime these politicians have elections to win. And the resulting short-term uncertainties about policy are already causing jitters in financial markets.

In Europe "the current combination of lacklustre growth prospects, together with impending policy deadlines, has begun to arouse investor worries", according to Mr John Lipsky at Salomon Brothers. "Popular support for new fiscal measures may not be forthcoming."

These worries are typified in France, where economic growth has stalled in the second quarter, consumer spending is weak and the franc has been undermined by fears that both fiscal and monetary policy might unravel.

The franc's weakness was triggered by rumours that the government might be about to admit defeat in its battle to hit the Maastricht budget deficit target. Gossip that President Jacques Chirac may be trying to destabilise Mr Jean-Claude Trichet, the governor of the Bank of France, because of frustration with his reluctance to cut interest rates, has only made things worse.

Mr Roach at Morgan Stanley argues that central bankers may in the end turn out to be the only line of defence against an increasingly pro-growth tilt to fiscal policy. He took comfort from the Bundesbank's refusal to cut German interest rates ahead of its summer break. But he fears that interest rate policy is already "behind the curve" in the US and Japan, with policymakers not raising rates quickly enough to forestall inflationary pressure.

The central banks are in a difficult position. The international financial institutions have been saying for months that they expect economic activity to pick up in the second half of the year. But the second half is here now and the prospects are still not clear.

The bond market's expectations of interest rates have wobbled most noticeably in the US, where expectations that the Federal Reserve would raise rates peaked after June's employment data, only to be calmed by the Fed chairman's Humphrey-Hawkins testimony to Congress, downbeat surveys of manufacturing and weaker labour market data for July.

Most analysts now expect the Fed to leave interest rates unchanged at the August 20 meeting of the Federal Open Markets Committee. But with consumer confidence high and income growth strong at the end of the second quarter, it is quite possible that the US economy will quickly regain momentum and that expectations of rates could change again.

The outlook for interest rates is also uncertain in Japan. Economic recovery is expected to remain robust with little sign of inflation. But rates are so low that a tightening would not be a surprise sometime in the autumn. Germany looks on course to grow at about its long-term trend rate through the rest of this year, with the Bundesbank expected to keep rates low.

Mr George Magnus at UBS in London expects the economic cycles of the three big blocs to become better synchronised as time goes by. If that happens, then central banks will have to be wary of a cyclical strengthening in inflation at a time when governments may already be suffering a loss of fiscal nerve. As Mr Magnus warns: "The longer the feelbad factor persists, the more likely it is that policy mistakes will come to the fore."

· OBSERVER ·

Tea with the prince

■ Lamberto Dini, Italy's foreign minister, has stepped into tepid water by accepting an invitation, while holidaying, to dine with prince Vittorio Emanuele, the head of the Savoy family which supplied the country with its disgraced monarchy.

Emanuele, who lives in Switzerland, is still legally barred from entering republican Italy, thanks to the monarchy's supine tolerance of fascism. But seeing Dini was vacationing with his wife Donatella in Sardinia, the prince invited him to pop across the waters to Corsica. Dini had no hesitation; indeed, he let it be known that the "private" meeting had taken place over the weekend.

Since then, Italian monarchists and anti-monarchists have been alternatively applauding or lambasting Dini. Monarchists point out that high-level meetings have occurred with members of the ex-royal family outside Italy before.

But many left and centre politicians say the tête-à-tête was tactless, though behind such attacks lies a degree of hypocrisy. Of late there has been a cross-party move to allow the former royal family back after their 50-year exile; but no one wishes to take responsibility.

Meanwhile Dini's real motive for the meeting seems aimed at keeping himself in the public eye during the silly season; and this he has done.

Sinking feeling

■ It was, as they say, an irresistible offer – a naval destroyer that cost $30m when it was built in 1988, going for less than 10 per cent of that price. So the officials running the British Cayman Islands colony are now the proud possessors of a Russian destroyer, purchased from neighbouring Cuba for $275,000.

Not that the Caymanians are planning to sail it, you understand. Instead the idea is to sink the ship in 35 metres of water off the shore of Cayman Brac island. The hulk will then be used by scuba divers, enhancing the islands' tourist attractions.

But what will the Americans have to say? The deal flies in the face of US threats to punish anyone doing business with Cuba. And all the Caymanians will have to repel any boarders with is soggy gunpowder . . .

Analytical crunch

■ The day of the $1m-a-year media analyst – including bonuses, naturally – may be dawning in London, thanks to the latest round of musical chairs in the City.

The doyen of UK media analysts, Neil Blackley, has defected from Goldman Sachs with his colleague Meg Geldens. The pair are off to rival American house Merrill Lynch. Now Goldman will probably have to up the stakes again, to find a replacement for Blackley, who is particularly strong on fashionable concepts such as "communocopia", the much-touted merger of the entertainment, computer and telecommunication industries.

He also, of course, has a few arithmetical skills. Now he has a few numbers of his own to crunch – not that he wants us to know precisely how many.

Fertility mission

■ After mind-boggling stunts in the movie *Mission: Impossible*, American actor Tom Cruise at least won't have to tax himself any further against the German glossy magazine *Bunte*, which falsely alleged a few weeks ago that he was sterile.

Bunte yesterday admitted that "a substantial part" of an interview with Cruise was incorrect. Cruise's lawyers, who had threatened a $80m lawsuit, insist the superstar is not sterile, and that his sperm count is "perfectly normal".

His other bit of good news is that promised mass protests against his membership of the Church of Scientology have petered out. Obviously at something of a loss about what to do during their summer months, younger members of Chancellor Helmut Kohl's Christian Democratic Union announced last week that they would form massed ranks against screenings of *Mission: Impossible*.

At the last moment the demonstrators turned rather flaccid – leaving thousands to file into the cinema.

Korean beef

■ Who would be a South Korean tourist?

Prime Minister Lee Soo-sung has told government ministries to crack down on South Korean tourists who damage the dignity of their country by engaging in indecent behaviour in foreign countries. This means they'll have their passports confiscated if they are caught eating endangered animals on overseas tours.

The move comes hot on the heels of the arrest last month of a group of South Korean tourists in Thailand, who were caught eating wild bear. Much more of this and soon they'll be reduced to British beef.

The Financial Times

100 years ago

Ministerial Crisis in Bulgaria
Sofia: A serious Cabinet crisis has arisen, the War Minister, Colonel Petroff, and the Minister of Commerce and Agriculture, M. Natchovitch, have tendered their resignations in consequence of a difference of opinion with their colleagues respecting the re-admission into the army of officers who have served in Russia, and also respecting the conclusion of a commercial treaty with Austria-Hungary. It is thought that Mr. Stoiloff, the Premier, may also resign. (Dalziel)

50 years ago

Rand strike fails to spread
Johannesburg: It was officially stated by the Chamber of Mines to-day that 32 of the Rand's 45 producing gold mines are not affected by the native labour strike, which still involves 45,000 to 50,000 natives out of 300,000. There is total stoppage on eight mines and partial stoppage on two.

The Rand Daily Mail, commenting on the strike, says: "It is a foolish strike, firstly, because the native mineworkers are much better off than most natives in Southern Africa and, secondly, because the demand for a daily wage of 10s cannot be met as it would mean the closing down of nearly all the Rand gold mines."

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FINANCIAL TIMES
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Move may follow drop in city violence

Karachi set to reverse ban on mobile phones

By Farhan Bokhari in Karachi

Pakistan's commercial capital Karachi is expected to resound to the ringing and beeping of mobile phones and pagers once again amid signs the government is poised to lift a city-wide ban imposed for security reasons last year.

Business leaders and traders on Karachi's stock exchange welcomed the move, saying a restoration of communications services was crucial to reviving the economic fortunes of a city hit by civil disruption over the past two years.

The government imposed the ban in July last year amid concern that mobile phones were being used by militant members of the Mohajir Qaumi Movement, Karachi's main opposition party.

The MQM's extensive use of mobile communications equipment helped it to outwit the security services during its bloody campaign of civil disruption. More than 2,000 people were killed in political violence in the city last year.

State security agencies were particularly concerned that they were unable to monitor calls made on digital telephones provided by Pakistan Mobile Telecommunications, a joint venture of US-based Motorola and Saif Telecom, a local company.

Karachi is now relatively peaceful – although 270 people have died in political violence this year. The likely reversal of the ban coincides with Independence Day celebrations and is seen as a conciliatory move by authorities.

The move was foreshadowed in newspaper advertisements by two of the country's three main mobile telephone services – Paktel, a subsidiary of the UK's Cable and Wireless, and Pakcom, a unit of Luxembourg's Millicom.

In the advertisements, existing and potential subscribers were asked to provide references, such as national identity card numbers, so that mobile phone services could be resumed once the government gave the go-ahead.

"The government has asked us to provide references and details of our clients by August 31," a Paktel executive said. No reason had been given for the request, but companies were taking it as an indication that services in Karachi would be restored.

The information was sought from clients across Pakistan. But Karachi, home to 40 per cent of subscribers, is vital to the mobile phone companies.

"There is a lot of anticipation," said the Paktel executive. "We never had such high hopes before. Services could be restored quickly once the go-ahead is given," he said. "All our infrastructure and staff is in place."

One leading Karachi businessman said yesterday: "Now that the environment has improved, there's no reason for the ban to continue."

Succession talk grows as Suharto promotes son-in-law

By Manuela Saragosa in Jakarta

President Suharto yesterday promoted his soldier son-in-law for the second time in eight months, fuelling speculation that he is being groomed to succeed the ageing Indonesian leader.

The promotion to major-general of Brigadier-General Prabowo, who is married to the president's second daughter, Siti Hediati Hariadi, comes amid mounting concern over the 75-year-old president's health.

Last month, Mr Suharto, who has ruled the country for 30 years, travelled to Germany for a health check. Doctors said his health was consistent with a man of his age.

The political fragility of the country was made clear shortly after the president's return home. Pro-democracy riots which broke out in the capital, Jakarta, were the worst for two decades.

Although the government's control was never in doubt, the riots, which caused millions of dollars of damage in the capital and resulted in widespread arrests, were a reminder to the government of the desire among the urban population for democratic reform.

Gen Prabowo's elevation has taken on greater significance following the riots and the worry over his father-in-law's age.

The general, 44, is the first officer from his 1974 military academy class to reach the rank of major-general. He was promoted to brigadier-general in December last year, prompting speculation that he was being groomed for a key military position ahead of the 1998 presidential election.

Mr Suharto has not indicated whether he will run for a seventh five-year term in office, but even if he does, most observers assume that term will be his last and his choice of vice-president will, in effect, be regarded as his designated successor.

Gen Prabowo gained public prominence earlier this year following his successful handling of an operation freeing nine of 11 hostages held by separatist rebels in the eastern-most province of Irian Jaya. He is the son of one of Indonesia's leading economists and studied in the US and Britain before joining the military.

Besides Gen Prabowo, the list of Mr Suharto's potential successors – which is subject to much speculation – includes the president's eldest daughter Siti Hardijanti Rukmana, 47, who is chairman of the ruling Golkar party's central board.

Lonrho merger plan

Continued from Page 1

have given Impala access to low cost, close-to-surface reserves at Lonrho's Western Platinum and Eastern Platinum operations next to its own mine.

Impala alone will have to dig deep at substantial capital cost to gain access to its own reserves.

Anglo American, which has bought nearly 10 per cent of Lonrho, has an option to buy another 18.4 per cent from Mr Dieter Bock, Lonrho's chief executive. Analysts suggested last night that the Commission would be bound to take a close look if Anglo exercised this, and could force Anglo to give up Lonrho's platinum business.

Election pledge

Continued from Page 1

acknowledged his own disagreements with tighter immigration policy, but said that did not present a problem. "Bob Dole believes that ultimately immigrants make great Americans, but it's got to be lawful, legal and we have a right to control our sovereign borders."

Apart from attending a few convention parties, Mr Dole is keeping the relatively low profile associated with nominees-in-waiting, prior to his crucial acceptance speech tomorrow night.

Credit Lyonnais' rescue vehicle to get cash injection

By Andrew Jack in Paris

The French government said yesterday that it planned a second recapitalisation of the state-backed company created as part of the rescue package for Crédit Lyonnais to help it absorb the heavy losses it is incurring.

The ministry of economics and finance confirmed there would be a "modest" injection of public funds to Etablissement Publique de Finance et de Restructuration, believed to be FFr2bn-FFr3bn. It comes on top of a similar amount paid over last year to help compensate for a deficit of about FFr8bn ($1.59bn) in 1995.

The announcement added to fears that the restructuring plan is unsustainable, further fuelling speculation that it is likely to be overhauled in the next few weeks ahead of Crédit Lyonnais' first-half results, due in late September.

EPFR is the intermediary in the complex rescue plan agreed last year. It receives a FFr145bn loan made by Crédit Lyonnais, and lends some of this money to the Consortium de Réalisation, the company selling off the bank's assets.

The government said that Mr Francis Lorentz, the former head of the RATP, the Paris public transport agency, who now runs EPFR had warned that, if it continued to accumulate losses over the next few years, it risked exceeding the FFr50bn cap to the restructuring package approved by the French parliament and European competition authorities.

Under the rescue plan, the costs of the restructuring are supposed to be funded in the longer term by a share of Crédit Lyonnais' profits, and the proceeds of its eventual privatisation. However, the bank reported only a nominal profit for 1995 and could drop into a loss this year.

The 1995 accounts of Consortium de Réalisation showed losses after sales and provisions of FFr21.4bn. EPFR assumes the costs of the loan made to the consortium and the capital losses on any assets that are sold

Since the end of last year, there have been a number of sales of other important former Crédit Lyonnais assets, including $1.3bn paid for MGM, the film studios – acquired by a consortium led by Mr Kirk Kerkorian, the US financier.

However, Mr Michel Rouger, head of the Consortium de Réalisation, warned when he presented the company's 1995 results that a high proportion of the remaining assets were likely to incur losses.

Recapitalisation of EPFR could prove embarrassing for the French government, as it struggles to reduce its budget deficit.

THE LEX COLUMN

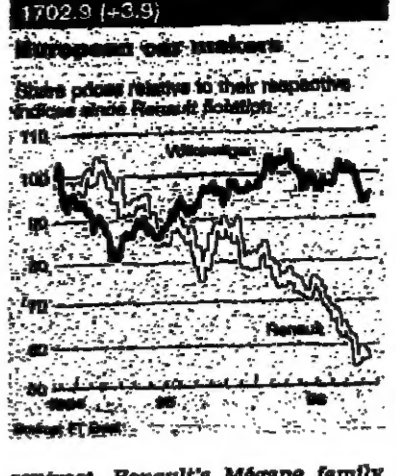
Sparkling diamonds

The diamond market has got itself in an unnecessary tizzy. De Beers, which dominates the industry, has seen its shares fall 10 per cent over the past month – although it is still up by about 60 per cent over the past 18 months. Partly this reflects investors reducing their exposure to South Africa, but there have also been fissures in the Central Selling Organisation, the cartel which controls about 75 per cent of world rough diamond production. The departure of the Australian producer Argyll from the CSO was unexpected. There has also been renewed concern about the extent of Russian "leakages" – the sale of stones outside the CSO.

The delay in signing an agreement with the Russian government plugging holes in the cartel may irritate investors but needs to be kept in perspective. First, it looks more a product of the Russian electoral calendar than any desire by the Russians to sidestep the cartel. Second, leakages are not damaging prices. Third, even a lengthy delay would not spell disaster. In a worst case scenario, leakages should not exceed $400m this year – much lower than last year's $1bn.

Yesterday's 18 per cent growth in half-year earnings, despite slow growth in Japan and Germany, also offers encouragement. When demand picks up, De Beers' profits should increase disproportionately: it will be able to reduce stocks, so boosting revenues instead of paying interest. Diamonds could still be an investor's best friend.

FT-SE Eurotrack 200: 1702.9 (+3.9)



European cars

The best and the worst among Europe's car manufacturers were on display yesterday. Stuttering along in the slow lane is Renault, which announced a 3 per cent decline in first-half turnover, while Volkswagen is overtaking smoothly on the outside with a 14 per cent sales increase.

Both are being weighed down by sluggish domestic economies. However, VW is successfully defending its market leadership in Germany, while Renault is losing ground in France even faster than its main rival Peugeot-Citroën. VW has a better international spread and is rapidly increasing sales in the US, China and South America. It has also benefited from successful model launches, including the Polo and Audi A4, and is following up with a flurry of new models, culminating in a new Golf in 1997. By contrast, Renault's Mégane family car has done only moderately well, while the Clio has come under pressure from the Polo and Fiat's Punto.

Comparing the two groups financially is trickier. Renault's car division is expected to remain loss-making this year, with the bulk of profits coming from leasing. Meanwhile, Volkswagen squirrels away so much profit in provisions that its earnings figures are meaningless. But on a ratio of 1997's forecast operating cashflow to enterprise value (market capitalisation plus debt), both are valued at around 2.7 times. That may well reflect investors' sceptical attitude to volume carmakers in general, but gives Volkswagen insufficient credit for its renaissance since 1993.

BOC Group

BOC Group's management yesterday presented a powerful case study on the advantages of sticking to one's knitting. The core industrial gases business is powering ahead, generating three-quarters of profits and absorbing 90 per cent of capital expenditure. Nonetheless, BOC's shares fell 5 per cent because of further declines in a division – healthcare – that should have been sold years ago and the revelation of collapsing orders in its vacuum business.

BOC has certainly cleaned up its strategic act – it used to be in frozen pizzas. But it is unfortunate that it failed to sell out of healthcare before its Forane anaesthetic patent ran out. New generic rivals are driving prices down, and it will take years of management graft before a justifiably priced trade sale can be achieved. Distribution is another poorly performing anomaly in the portfolio: but this could, and should, be profitably sold.

The main problem is the Edwards Vacuum division; but at least the long-term prospects remain excellent. A collapse in orders should not have been too surprising, since Edwards supplies the faltering semiconductor industry. But orders will clearly recover after a few weak quarters. In the meantime, BOC can continue to work on margins in its core gas business. Even after recent improvements, these are still lagging behind US competitors. With an improved pricing environment, and plenty of investment opportunities, the management should then start to demonstrate the advantages of focus.

National Grid

The UK's utility regulators are certainly sharpening their teeth. The electricity watchdog's proposed price cut of 20 per cent to 28 per cent at National Grid comes hard on the heels of tough action by the gas and Northern Irish electricity regulators. The snag, from the Grid's point of view, is that Professor Stephen Littlechild is not being unfairly harsh; he only seems so compared with his previous laxity.

What this means is that the Grid would find it hard to overturn Prof Littlechild's proposals by appealing to the Monopolies and Mergers Commission. The commission would probably give short shrift to the company's complaint that it cannot cut costs by 5 per cent a year in real terms given that it has averaged annual cuts of 10 per cent in the past. Nor can one imagine the commission having much sympathy for the argument that the Grid's assets should be valued on the basis of how much they would cost to replace; Prof Littlechild's method – taking as the starting point the Grid's value when it was floated last December – is eminently reasonable. Nor is it likely that Prof Littlechild himself will give much ground during the consultation period given the public drubbing he received for his lenient cap on regional electricity companies last year.

That said, the sharp fall in the Grid's shares since flotation looks overdone. At worst, the company will still have scope to increase dividends in line with inflation and may do better. With the shares yielding 8½ per cent, they deserve to bounce back.

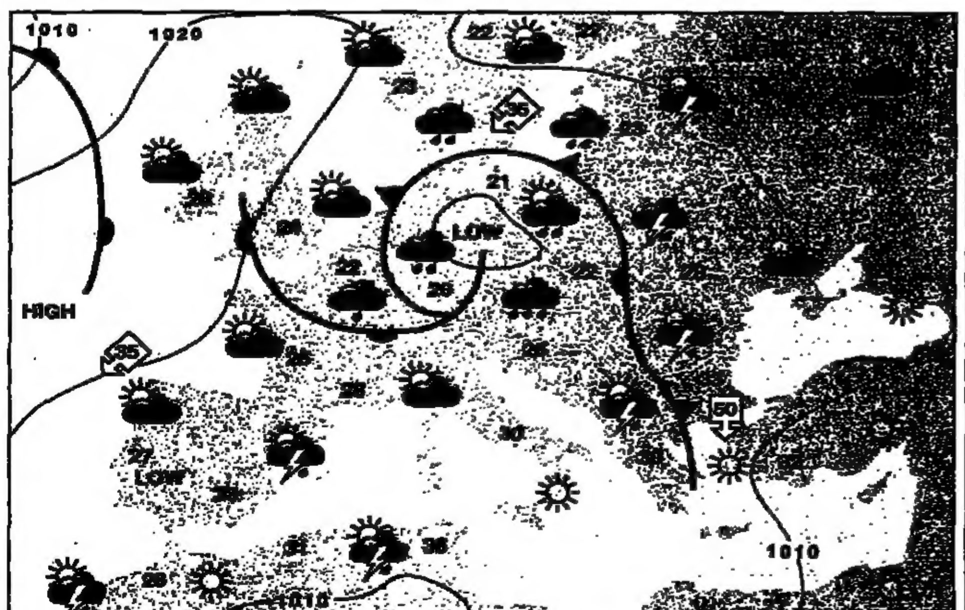
FT WEATHER GUIDE

Europe today

Rain will fall east of the Benelux from western Germany, across Denmark and southern Sweden towards Poland and the Balkans. Some of the rain will be accompanied by thunder storms. Northern France, Switzerland and Austria will have rain. Western and southern France as well as most of Spain and Portugal will be fair. Thunder storms will develop on the east coast of Spain. Most of the eastern Mediterranean will be sunny and warm. A strong breeze will blow off Turkey coast.

Five-day forecast

The rain over western Europe will gradually move east. A high pressure area will build over the British Isles and the Benelux causing dry and warm conditions in most of western Europe. Temperatures will exceed 25C in most areas at the end of the week. More rain is expected in the Balkan states and eastern Europe during the week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	fair 32	Caracas	fair 32	Faro	fair 26	Madrid	fair 31	Rangoon	drzzl 31
	Celsius	Belfast	fair 20	Cardiff	fair 21	Frankfurt	shower 21	Majorca	thund 29	Reykjavik	drzzl 12
Abu Dhabi	sun 41	Belgrade	fair 25	Casablanca	fair 23	Geneva	shower 23	Malta	sun 31	Rio	cloudy 23
Accra	thund 27	Berlin	shower 21	Chicago	shower 29	Gibraltar	sun 27	Manchester	fair 21	Rome	sun 30
Algiers	fair 31	Bermuda	fair 28	Cologne	rain 20	Glasgow	fair 21	Manila	shower 31	S. Frsco	sun 26
Amsterdam	fair 22	Bogota	fair 18	Dakar	fair 31	Hamburg	rain 21	Melbourne	rain 13	Seoul	shower 29
Athens	sun 32	Bombay	drzzl 32	Dallas	sun 34	Helsinki	sun 24	Mexico City	shower 22	Singapore	fair 31
Atlanta	fair 29	Brussels	fair 22	Delhi	cloudy 31	Hong Kong	rain 30	Miami	shower 33	Stockholm	fair 22
B. Aires	sun 20	Budapest	shower 23	Dubai	sun 41	Honolulu	fair 32	Milan	fair 24	Strasbourg	shower 22
B.ham	fair 22	C.hagen	rain 21	Dublin	fair 20	Istanbul	fair 29	Montreal	sun 26	Sydney	sun 22
Bangkok	thund 35	Cairo	sun 34	Dubrovnik	fair 28	Jakarta	fair 32	Moscow	fair 19	Tangier	fair 26
Barcelona	thund 25	Cape Town	fair 16	Edinburgh	fair 19	Jersey	cloudy 18	Munich	rain 20	Tel Aviv	sun 39
						Karachi	cloudy 30	Nairobi	fair 23	Tokyo	shower 28
						Kuwait	sun 47	Naples	sun 30	Toronto	sun 27
						L. Angeles	sun 29	Nassau	fair 32	Vancouver	fair 23
						Las Palmas	fair 27	New York	fair 27	Venice	fair 23
						Lima	cloudy 19	Nice	fair 27	Vienna	shower 22
						Lisbon	fair 27	Nicosia	sun 36	Warsaw	rain 21
						London	fair 24	Oslo	fair 23	Washington	fair 29
						Lux.bourg	shower 20	Paris	cloudy 24	Wellington	fair 11
						Lyon	fair 25	Perth	fair 16	Winnipeg	sun 25
						Madeira	sun 25	Prague	shower 19	Zurich	rain 19

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"True creativity blooms when we dare to reject "common sense" and traditionally accepted scientific knowledge."
KAZUO INAMORI, founder of Kyocera
KYOCERA

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday August 14 1996

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LEGAL DEFINITIONS
mediation *n.* 1 gathering of camera crews outside celebrity's home (after *minor indiscretion*) 2 attempt by a third party to make the two sides in an argument agree. see ROWE & MAW: asap (*ph* 0171-248 4282)
Rowe & Maw
LAWYERS FOR BUSINESS

IN BRIEF

Den norske Bank falls 9% midway

Den norske Bank, Norway's largest bank, reported a 9 per cent drop in first-half profits from NKr1.68bn to NKr1.5bn ($234m) – a smaller decline than analysts had predicted – but said underlying profits excluding write-backs against loan losses had grown 10 per cent. Page 12; SE-Banken jumps in first half, Page 14

AGF to nominate outside directors
Assurances Générales de France, the insurance company privatised in May, announced its intention to nominate a number of outside directors as part of a newly-constituted 14-member board. Only two executives of AGF will sit on the board, Mr Antoine Jeancourt-Galignani, chairman, and Mr Jean-Daniel Le Franc, his deputy. Page 12

Deere reaches record in third quarter
Deere and Company, the US maker of agricultural and lawn care equipment, reported earnings in the third quarter up 13 per cent to a record $204.4m, or 79 cents a share, and said expanding global demand would continue to strengthen the company's outlook. Page 13

Credit Anstalt moves closer to sell-off
The privatisation of Credit Anstalt, the Austrian bank, moved closer as First Austrian Savings Bank reached agreement in principle with its consortium partners on a joint holding group for Credit Anstalt and First Austrian. The consortium aims to bid for a 70 per cent voting stake in Credit Anstalt, worth about Sch15bn ($1.44bn). Page 14

UK retailer stands by pay structure
Dixons, the UK electrical retailer, has refused to change its controversial triple remuneration committee structure and Sir Stanley Kalms, chairman, has warned shareholders of "increasing demands for management by prescription" because of corporate governance rules. Page 15

GA reports smaller than expected fall
General Accident, the UK general insurer, dispelled some of the gloom over the country's composite insurers with a smaller than expected fall in first-half operating profits from £257m to £194m ($302.6m). Page 15

Facia creditors told of intergroup deals
The collapse of the UK's Facia resulted from concerns about "significant" transactions between the retail group and companies owned privately by its chairman, Mr Stephen Hinchliffe, creditors were told. Page 16

Australian wool producers seek leeway
Australia's main wool growers' body has called for a more flexible wool release scheme, despite repeated statements by the federal government that it does not want to change the existing legislated timetable for selling off the country's large wool stockpile. Page 20; NZ wool sector hopes for demand growth, Page 20

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Berliner Kraft	425	+	7
Rheinelektra	1308	+	23
Varta	298.4	+	6.2
Falls			
Heidelb Zem	992	−	7
Horten	223	−	5
VEW	486	−	14
NEW YORK ($)			
Rises			
Deere & Co	38⅝	+	3⅛
K N Energy	34⅛	+	1½
McGraw Hill	42⅝	+	1⅝
Falls			
Alamo Rent	45	−	2⅛
Champion	42¼	−	2
Circus Circus	30⅝	−	1⅞
LONDON (Pence)			
Rises			
Adwest	73	+	8
Persona	313	+	28
Sidlaw	168	+	12
Falls			
Nelson Caxton	330	−	75
UK Safety	15	−	4½
Yorkshire Food	49	−	23
TORONTO (C$)			
Rises			
Cortecs Bus	3.40	+	0.60
Hurricane Hyd	4.95	+	0.50
PC Docs	21.50	+	0.85
Falls			
Candev	3.30	−	1.00
Sth West Gold	23.50	−	1.00
Spectrum Sig	3.85	−	0.85
PARIS (FFr)			
Rises			
Essilor	1273	+	13

Legrand	918	+	12
Synthelabo	436.5	+	21.5
Falls			
Damart	3560	−	40
Imetal	690	−	9
Skis Rossignol	1921	−	24
TOKYO (Yen)			
Rises			
Denny's Japan	3850	+	150
Sara Chem	769	+	39
Janome Sewing	380	+	29
Nakano Milling	980	+	47
Nagasakiya	686	+	61
Nihon Parkerzng	865	+	33
HONG KONG (HK$)			
Rises			
Giordano Intl	6.65	+	0.35
Peace Hill	2.775	+	0.125
Road King Inf	7.1	+	0.4
Termbray	15.9	+	0.7
Falls			
Guangdong Inv	5.4	−	0.25
Ngai Hing Hong	3.825	−	0.2
BANGKOK (Baht)			
Rises			
Thai OPP	42	+	3.25
Thai Rubber	28.5	+	2.25
Thai Steelwork	48.25	+	3.25
Unique Gas	66	+	5
Falls			
First Asia Sec	83	−	5
Shinawatra	370	−	26

New York and Toronto prices at 12:30.

De Beers upbeat on Russian deal

By Mark Ashurst and Kenneth Gooding in London

De Beers, the South African group which controls about 60 per cent of the world's rough (uncut) diamond market, yesterday said it was confident it could finalise a contract for Russia to join the diamond cartel organised by its Central Selling Organisation.

The upbeat comments came as the group revealed half-year results in line with analysts' expectations. Attributable earnings were up by 18 per cent to US$482m and the interim dividend is increased 5.5 per cent to 27 US cents.

Mr Gary Ralfe, managing director of the CSO, said the negotiations had been held up by the Russian presidential elections but the Russians now appeared keen to complete a deal. It was not possible to say how long this would take. If the finance minister who signed the memorandum of understanding earlier this year was moved to a new post, it would increase the delay.

He said the leakage of Russian diamonds to the west, bypassing the cartel and estimated to have jumped to $40m-$60m in June, appeared to be coming from joint venture companies set up in Russia rather than from government stocks or Almazy Rossii Sakha, Russia's biggest producer. The joint ventures were exploiting loopholes in the previous agreement between Russia and the CSO.

De Beers' executives were less sanguine about conditions in the Indian diamond cutting industry, which had been plunged into a crisis of confidence by the decision of the partners in the Argyle mine in Australia to quit the cartel. De Beers had previously reported that the value of stocks of small, cheap diamonds in India had fallen by about 20 per cent.

Mr Nicky Oppenheimer, CSO chairman and deputy-chairman of De Beers, said the organisation would not start a price war. But buyers of small diamonds now had two suppliers and were holding back to see what would happen. De Beers had no intention of holding its prices only to see Argyle take business away.

Argyle's withdrawal would trim about 6 per cent off the CSO's base diamond sales. "This is probably the most negative scenario in the last 40 years and it has rocked confidence," said Mr Ian Leigh, analyst at RBC Dominion Securities. "We are on the brink of a price war, and the CSO is sitting with stocks worth $4bn. Where is the growth going to come from?"

Mr Julian Ogilvie Thompson, De Beers chairman, described Argyle's decision, in the wake of a record year of diamond sales, as "a rather selfish act. If everybody did that, we wouldn't have any stability", he said. But he dismissed speculation that the cartel could flounder.

Lex, Page 10

UBS hires top trader for metals job

By George Graham, Banking Correspondent

Union Bank of Switzerland, the largest Swiss bank, yesterday stepped up its efforts to become the world's leading trader of precious and base metals with the recruitment of Mr Martyn Konig from rival Goldman Sachs.

Mr Konig, who moved to Goldman in March to be executive director responsible for commodities and precious metals trading at the US investment bank's J Aron & Co subsidiary in London, will be reunited at UBS with Mr John Bishop, with whom he had worked at N. M. Rothschild, the London investment bank.

Mr Bishop now heads UBS's global commodities activities, and Mr Konig will become his deputy in charge of trading.

Goldman played down the significance of Mr Konig's departure. It has drafted in traders from New York to bolster its London operation.

Mr Bishop, who himself only started work at UBS last month after some months of compulsory "gardening leave" while he served out his Rothschild contract, said the Swiss bank was already a significant player in commodities trading. "We are now looking at the next stage. Instead of being one of the top players, we want to be the top player."

The departures of Mr Bishop and Mr Konig from Rothschild earlier this year had been seen as a significant blow for the UK bank, which had built up a big presence in the precious metals markets and which traditionally chairs and hosts the daily session which fixes the price in the $3bn a day London gold market.

At UBS, Mr Bishop and Mr Konig are expected to help reinforce the bank's position, which is already strong in bullion and precious metals trading. Its gold refinery in Switzerland produces bars which are accepted in gold markets around the world. The bars are stamped with a patented hologram-like device to guard against counterfeiting.

UBS has been expanding its commodity risk management business, which it started in 1993, and sees considerable potential for customised products that combine hedges with a variety of other financial products.

Foreign growth aids big VW rise

By Wolfgang Münchau in Frankfurt

Volkswagen, the German carmaker, more than doubled net profits in the first half, helped by strong sales growth outside Germany and a weakening D-Mark exchange rate.

Europe's largest carmaker delivered a record of almost 2m vehicles in the six months to June 30, 12.6 per cent more than a year earlier. It raised net profits from DM113m to DM282m ($190.5m), broadly in line with expectations.

Volkswagen said it stuck to the forecast by Mr Ferdinand Piëch, chairman, of an improvement in 1996 over last year's DM336m net profits. In the light of the interim results, this is seen as cautious.

Mr Klaus-Jürgen Melzner, motor analyst at Deutsche Morgan Grenfell, said the medium-term outlook was good. "This is one of the few German carmakers that managed to increase its margins. The market has held up and the exchange rate [the weakening of the D-Mark against other currencies] has also helped."

Between January and June, VW managed to reverse the position of 1995, when income could not keep pace with rising costs. Gross income from turnover, a measure of profitability of the core business, increased from DM4.45bn to DM5.41bn, signalling "an improvement in the quality of our earnings", VW said.

The company's west European market share rose from 16.7 per cent to 17.2 per cent. Total turnover grew 13.6 per cent to DM50.5bn.

Ferdinand Piëch: stands by forecasts of rise for full year

The main contributor to the increase in profits was the core German unit, which raised profits from DM165m to DM230m. Audi, the German luxury carmaker, VW do Brazil, the South American unit, and the financial services arm also contributed to profits, although VW did not specify by how much.

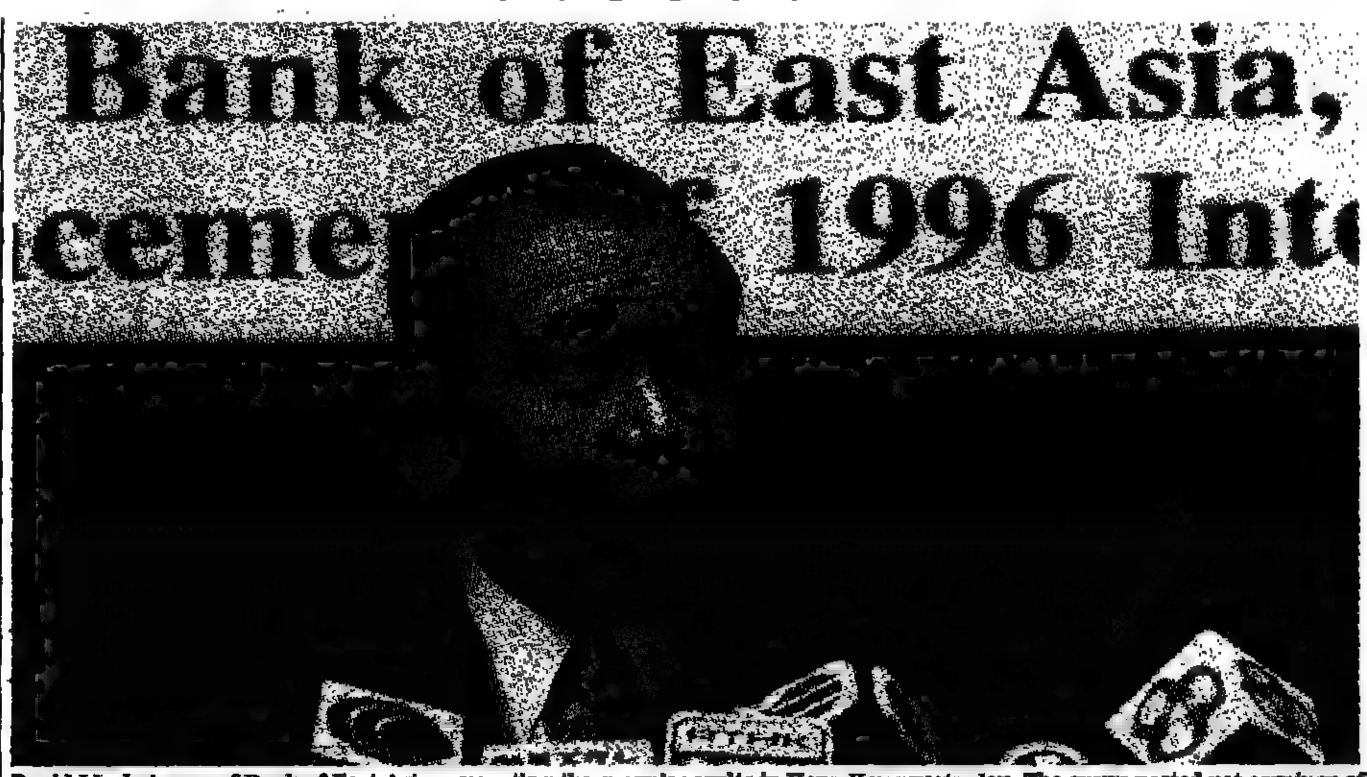
Skoda, the Czech carmaker, made its first profit contribution after a 20.7 per cent growth in deliveries, the largest of any brand in the group.

Seat, the Spanish car subsidiary, and the North American operations are making smaller losses than previously, according to VW.

While VW unit sales in western Europe outside Germany rose 17.1 per cent to 726,467 vehicles, the group managed only a 1.2 per cent rise in Germany to 516,341 vehicles. However, VW continues to dominate the domestic market with a share of 27.3 per cent.

In the US, the company achieved one of the best sales results in the past decade with a 15.7 per cent rise, while sales in Mexico fell. In Brazil, VW increased unit sales in a declining market.

Lex, Page 10



David Li, chairman of Bank of East Asia, presenting the group's results in Hong Kong yesterday. The group posted net earnings of HK$846.92m (US$109.5m) for the six months to June 30, up 23.3 per cent. He said the second half was expected to bring moderate growth and outlined a long-term strategy to sell stakes in United Chinese Bank to mainland and Taiwanese banks Page 13

BOC shares slide after warning

By Jenny Luesby in London

BOC, the UK industrial gases producer, delivered a double blow yesterday with warnings of a collapse in orders at its lucrative pumps business, and further declines in healthcare.

The news triggered a sharp reaction from the markets, with the shares falling 5.5 per cent at one stage before recovering to close at 853p, down 42p. Stockbrokers downgraded pre-tax profits forecasts for this year by an average of 5 per cent to £445m ($690m). Estimates for next year were lowered to £450m-£470m next year. Analysts said the share sell-off was an over-reaction.

Mr Michael Evans, chemicals analyst with Kleinwort Benson, said BOC shares were among the cheapest in the sector, yet the company's outlook was among the brightest.

In the nine months to June, BOC's pre-tax profits rose 11 per cent, to £327.3m, on sales up 8 per cent, at £2.99bn. Third-quarter profits were 10 per cent ahead at £109.9m on sales up 5 per cent at £1.01bn.

In its main business, gases, the third quarter brought improved margins, with operating profits up 11 per cent on sales up 7 per cent. For the first nine months, operating profits in gases reached £300.5m (£272.7m) on sales of £2.1bn (£1.95bn).

Mr Evans said a continuing shift to long-term take-or-pay contracts at fixed prices promised even better returns in 1997, with gases likely to account for 77 per cent of group profits.

The vacuum and distribution division also reported a strong third quarter, with sales up 23 per cent and operating profits up 35 per cent.

The pumps business, Edwards, accounts for about 40 per cent of divisional sales and has quadrupled its profits in the last four years. However, the group said, as a supplier of equipment to the semiconductor industry, it was now running into difficulties.

Mr Danny Rosenkrantz, chief executive, said Edwards' orders had fallen by more than half in the last two months. This would have some impact in the fourth quarter, but most of the decline would be felt in the first half of next year.

In healthcare, it has been in steep decline since its mainstay Forane came off patent in 1994. Operating profits fell a further 27 per cent in the third quarter, although the group said profits were stabilising.

Lex, Page 10

PowerGen plans £35m wind farm on coast of UK

By Patrick Harverson in London

PowerGen, the UK generating group, is planning to build the world's largest offshore wind farm just two miles from the British coast.

With a total generating capacity of 37.5MW, the farm could meet the daily electricity needs of a town of 56,000 people.

The £35m ($54.2m) farm will consist of 25 large wind turbines, each 190ft tall with three 220ft-diameter blades capable of generating 1.5MW of electricity.

The turbines will be bolted on to platforms sunk into 6ft-20ft of water on Scroby Sands, a sandbank close to Great Yarmouth, Norfolk.

PowerGen is confident the scheme will be approved by the government. It is in the process of signing an agreement to use Scroby Sands with its owner, the Crown Estate, and has applied for consent to proceed with the project under the Coast Protection Act.

"We have done our homework and looked at the environmental issues and we feel there should be no objection to the development," said Mr Rupert Harris, managing director of Econet, the consultancy advising PowerGen and Vestas, the Danish turbine manufacturer which is jointly funding the project.

However, the wind farm could face local opposition. Scroby Sands is known as an occasional habitat for seals, and environmentalists will be concerned that the scheme will interfere with their natural habitat. There may also be objections to the physical appearance of the farm, with its 25 turbines clearly visible from Great Yarmouth.

Mr Harris insists that the wind farm would be environmentally clean and safe. "The worst that can happen to us is that we can fall down."

PowerGen, which has also applied to build a smaller wind farm with only 13 turbines, already operates four small land-based wind farms. It believes offshore farms offer an environmentally sound and more cost-effective form of renewable power generation.

Until recently, offshore wind generation was regarded as uneconomic.

There are just three offshore wind farms in the world – in Scandinavia and the Netherlands.

Mr David Farrier, project development manager, said: "The Yarmouth site, turbine foundations and 1.5MW machines proposed meant the construction and operational costs will be seen to be significantly lower than previous UK studies have predicted."

A 1988 report by UK electricity authorities put the offshore wind energy resource around the British Isles at 240 terawatt (a thousand billion watts) hours per year, enough to meet 85 per cent of total UK electricity needs.

Several engineering companies have been asked to submit tenders to build the turbine platforms, and Econet says that if government approval is granted, the farm could be generating power in 1998.

The Government of the Arab Republic of Egypt Holding Company for Engineering Industries (EIC)

Strategic Sale

70% of

Electro Cable Egypt Company (ECEC)

As a part of the Egyptian Government's privatization program, (EIC), a state entity, is privatizing (ECEC) through the sale of the above mentioned shares, to a strategic investor(s). The remaining 30% have been acquired by private sector individuals. The shares are listed on the Egyptian Stock Exchange.

Offers should be submitted on or before October 31, 1996 and addressed to:

Mr Chairman of Engineering Industries Co.
26 Adly Street, Cairo, Egypt. Fax: (202) 392 1956

For more information
contact EIC at the above address of the National Bank of Egypt Investment Trustees Dept.,1187 Corniche El Nil St., Cairo - Egypt, Fax No. (202) 5748908, where the Information Memorandum and the Instruction to Bidders are available in return for the sum of US$ 1000.

NEWS DIGEST

Strong advance at Hunter Douglas

Hunter Douglas, the Dutch window covering and architectural products group, raised net profits by 25 per cent to Fl 62.9m ($38m) for the first half of 1996, from Fl 50.4m in the year-ago period. The growth stemmed largely from North America, where the economy was strong and Hunter Douglas raised its market share in window covering. The group also benefited from the stronger dollar and low interest rates. But sales and profits in Europe fell because of "slow economic conditions", particularly in Germany and France.

The group said it had won "substantial contracts" in China to supply wall and ceiling panels to several airports. Hunter Douglas regards Asia as a key area of growth, but said yesterday it intended no acquisitions, as opportunities for these were "virtually absent" in Asia.

Sales increased 10 per cent to Fl 1.11bn, with almost a third of the rise coming from positive currency effects. Net profit per share rose 24 per cent to Fl 3.55 (Fl 2.86 adjusted). Hunter Douglas, which is 49 per cent family owned, expressed "optimism" about the rest of the year. But the shares fell 2 per cent yesterday to Fl 116.50 on profit taking. Analysts are forecasting Fl 155m in full-year net profits.

Simon Kuper, Amsterdam

Luxottica charges settled

Three executives of Luxottica, the Italian spectacles frame manufacturer, and a relative agreed to pay $524,000 to the US authorities to settle insider dealing charges relating to the company's $1.4bn takeover last year of US Shoe, the US retailing group. The SEC said the four had settled a civil suit by giving up $262,000 in trading profits and paying $262,000 in fines and interest, without admitting or denying wrongdoing.

Those charged were Mr Paolo Mollo, 33, a production systems manager, who learned of the offer during a due diligence review by investment bankers; Mr Andrea Fiabane, 34, manager of Luxottica's European operations, whose office was next to Mr Mollo's; Mr Giuseppe Fiabane, 40, Mr Andrea Fiabane's brother; and Mr Giorgio Piccinini, 60, administrative manager of Luxottica's Milan unit, who overheard the offer being discussed.

Richard Tomkins, New York

Securitas boosts sales 27%

Securitas, Europe's leading security group, announced net profits of SKr161m ($24.19m) for the first half to June 30, up from SKr140m in the comparable period. Sales were SKr4.29bn, up from SKr 3.61bn. The Swedish company said sales increased by 27 per cent from a year earlier adjusted for currency effects. Of that, 20 percentage points was the result of acquisitions, and 7 percentage points organic growth. Pre-tax profit increased by 13 per cent to SKr228m (21 per cent if adjusted for currency effects).

The company repeated its prediction of an increase of around 20 per cent in 1996 profit compared with a year earlier. The prediction is based on a stable krona in the second half.

AFX News, Stockholm

SGL Carbon upbeat

SGL Carbon said pre-tax profit in the six months to June rose 51 per cent, from DM103m a year earlier to DM156m ($105.74m). Sales rose 13 per cent from DM776m to DM873m. The group said the growth was due to the first-time consolidation of Polish-based Polgraph and French-based Vicarb, without which sales would have grown 4 per cent. It said it expects higher sales and earnings in the full year. Mr Robert Koehler, chairman, said the outlook for the second half "remains good".

AFX News, Frankfurt

Makhteshim advances

Makhteshim Group, the Israeli generic agrochemicals manufacturer, yesterday reported net income up 12 per cent in the first half of 1996, from $20m in the same period last year to $23m, as the company rebounded from a slow first quarter. Net income in the second quarter jumped 40 per cent to $11m, compared with $8m in the same period of 1995. Mr Daniel Porat, Makhteshim vice-president, attributed rising profits to declining raw materials prices for the group's line of crop-protection chemical products. Sales for the first six months were up 11 per cent, from $268m last year to $297m.

Avi Machlis, Jerusalem

Write-backs hold Den norske Bank fall to 9%

By Greg McIvor in Stockholm

Den norske Bank, Norway's largest bank, reported a 9 per cent drop in first-half profits, but said underlying profits excluding write-backs had grown by 10 per cent.

The decline in pre-tax profits including credit losses, from NKr1.68bn to NKr1.5bn ($234m), was not as steep as analysts had predicted, due in part to higher than expected write-backs against loan losses. DnB's shares rose NKr0.10 to NKr20.80.

DnB said lending volume and deposits had risen, aided by Norway's robust economic performance. Operating costs were cut by NKr88m.

Write-backs – achieved by re-booking provisions against loan losses – diminished from NKr508m to NKr226m, although write-backs on previous loan losses still exceeded new losses. Non-performing and doubtful commitments were reduced by NKr1.2bn to NKr5bn from the end of 1995.

Customer lending rose 5.3 per cent in the year to date but the bank suffered from intensified competition in the domestic banking sector and also for international loans. Net interest margins fell from 4 per cent to 3.8 per cent year-on-year.

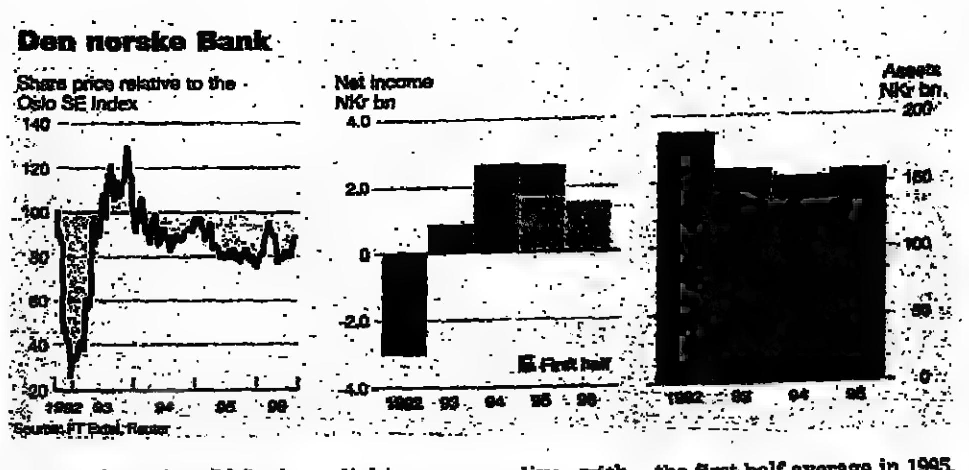
Mr Finn Hvistendahl, DnB managing director, said the near-halving of Norwegian banks' margins from some 6 per cent in 1992 could "quite conceivably" trigger a new wave of restructuring in the sector. But he added: "As long as credit losses are slight, we can live with lower interest margins."

Ordinary loans totalled NKr130bn at the end of June, an increase of NKr12bn on the first-half average in 1995.

Net interest income was flat at NKr2.1bn, although it fell from 2.47 per cent to 2.34 per cent relative to average total assets. DnB said lending growth and the continued reduction in non-performing and doubtful credits offset pressure on interest margins.

Return on equity dropped from 29.4 per cent to 23.4 per cent and earnings per share from NKr2.60 to NKr2.38. The capital ratio was 10.5 per cent and Tier 1 capital stood at 7.1 per cent, not including first-half profits.

Vital, Norway's second largest insurer, acquired earlier this year by DnB for NKr3bn, made net profits of NKr135m. But its impact on group profits was marginal because a contribution of NKr63m was balanced by the NKr61m cost to DnB of financing the acquisition.



AGF to seek outside directors in board shake-up

By Andrew Jack in Paris

Assurances Générales de France, the insurance company privatised in May, yesterday announced its intention to nominate a number of outside directors as part of a newly-constituted board.

In a gesture towards the growing importance of corporate governance in France, just two executives of AGF will sit on the 14-member board – Mr Antoine Jeancourt-Galignani, chairman, and Mr Jean-Daniel Le Franc, his deputy.

Four outside directors will be present in their roles as large AGF shareholders: Mr Daniel Bouton, managing director of Société Générale, the French bank; Mr Wolfgang Kaske, head of AMB, the German insurance group; Mr Lukas Mühlemann, head of Suisse Réassurance and soon Crédit Suisse; and Mr Sergio Siglienti, head of Ina, the Italian insurer.

The share of AGF's capital that they represent has not yet been finalised, as their companies' bids for shares at the time of the privatisation are still being scaled back due to over-subscription.

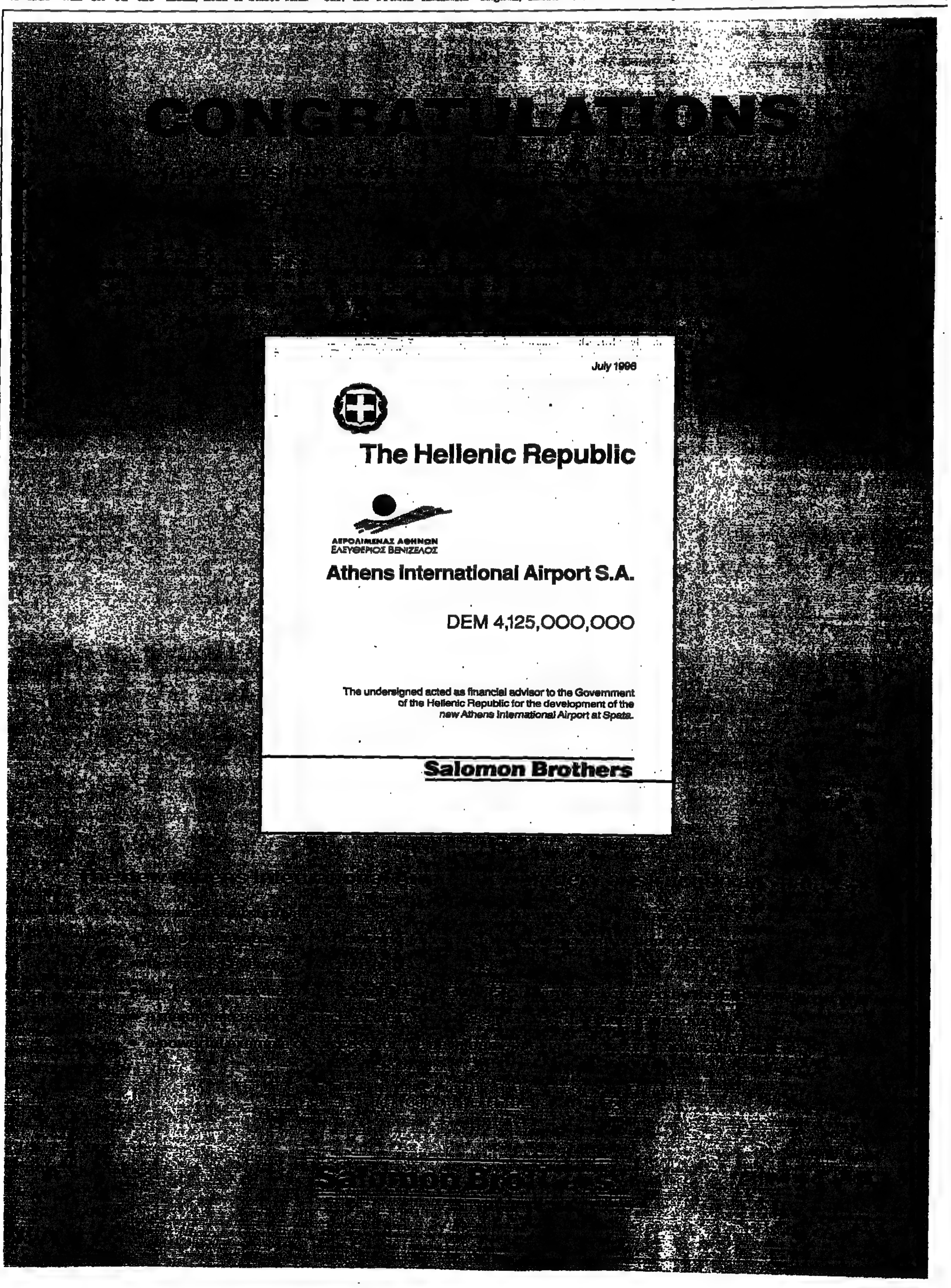
Existing director Mr André Lévy-Lang, chairman of Paribas, the French financial group, which held 1.5 per cent of AGF's shares, will not have a seat on the new board.

Four independent directors have been chosen by virtue of their personal qualities and not because of any shareholding: Mr Yves Cannac, a former senior civil servant; Ms Beatrice Majnoni d'Intignano, a health economist; Mr Patrice Mignon, finance director of Nestlé; and Mr Jean-Charles Naouri, head of the Euris investment group.

There will also be one general agent who sells insurance on behalf of AGF, two staff representatives to be elected by employees, and an employee-shareholder director.

The nominations, which were approved at AGF's last board meeting, must be ratified by the annual general meeting of shareholders, which is due to be held on September 19.

In line with recommendations in last year's Viénot report on French corporate governance that the maximum number should be six, Mr Jeancourt-Galignani also pledged earlier this year to resign from some of his 13 boardroom seats, although there were no indications he had done so yesterday.



Lafarge vies for control of Polish cement producer

By Christopher Bobinski in Warsaw

A modern Polish cement plant with a 7 per cent share of the domestic market is at the centre of a bitter tug of war between Lafarge, the French construction materials company, and Dyckerhoff, a German cement producer.

The row over control of the plant, Malogoszcz, comes as foreign investors scramble to secure control of Poland's last swathe of domestically-held cement works.

The race for control has also provided handsome returns for the 15 national investment funds, set up last year under Poland's mass privatisation scheme.

These funds owned the four plants in question, which make up one-fifth of Poland's 15m tonne cement-producing capacity.

The government had earlier sold the remainder of the sector to foreign strategic investors.

Lafarge has accused the No 14 fund of failing to fulfil an agreement to sell to the French company its 33 per cent stake in Malogoszcz for $27m.

Instead, the fund has agreed to sell the equity to Dyckerhoff, for $35m. This has left Lafarge with 41 per cent of Malogoszcz, which it had earlier purchased from the employees.

Under the mass privatisation programme, each fund holds lead stakes of 33 per cent in about 34 companies and 1.9 per cent in each of the remaining enterprises in the scheme, which covers 512 companies. The impasse at Malogoszcz leaves the state treasury, which owns 25 per cent, with the deciding vote should the two shareholders differ.

Dyckerhoff, meanwhile, says it wants to work as a joint shareholder with Lafarge.

However, the purchase has blocked Lafarge's plan to win control of one-fifth of Poland's cement-producing capacity.

The French company last year paid the government $46m for a 75 per cent stake in the Kujawy works, and purchased a 60 per cent share in Wierzbica from the national investment funds for $30m.

Shortly before moving in to Malogoszcz, Dyckerhoff snatched the neighbouring Nowiny works from Rumeli, a Turkish investment group.

The German producer outbid Rumeli at the last moment, paying $64m for a 60 per cent stake. The works had been attracting offers of about two-thirds of this sum before Rumeli entered the race.

Rumeli switched its attention to the Nowa Huta cement works. RMC, the UK construction materials group, had signed a preliminary agreement for a joint venture with the Progress Fund which gave RMC the prospect of control.

However, Rumeli forced Progress' hand by first buying a 60 per cent stake from other funds for $21m, and then offering $20m for Progress's lead stake – an offer RMC failed to match.

Peregrine shrugs off spot of local bother

Hong Kong investment bank seems undeterred by regional difficulties

Peregrine Investments has run into a number of stumbling blocks in its efforts to expand into markets as diverse as Korea, Australia, Indochina and the UK, but the young and thrusting merchant banking group is still at the forefront of Asia's securities markets.

Peregrine's latest problems are in Vietnam, where prosecutors say they will press charges of illegal trading and tax avoidance against Mr Nguyen Trung Truc, Peregrine Capital Vietnam's managing director. The company is also involved in a legal tussle with its former representative in Burma, who – Peregrine alleges – failed to represent the company's interests.

In Australia, the issue was less about local partners and more to do with incompetence: the direct investment arm there made a number of questionable investments.

The Australia and Burma setbacks forced Peregrine to write off HK$114m (US$14.7m) last year, and cost a handful of directors their jobs. Adding in weak securities markets, last year's HK$1.01bn net profit was saved largely by the HK$843.7m profits realised on the disposal of its stakes in Invesco, the UK fund manager, and Phileo Peregrine Securities, a Malaysian group.

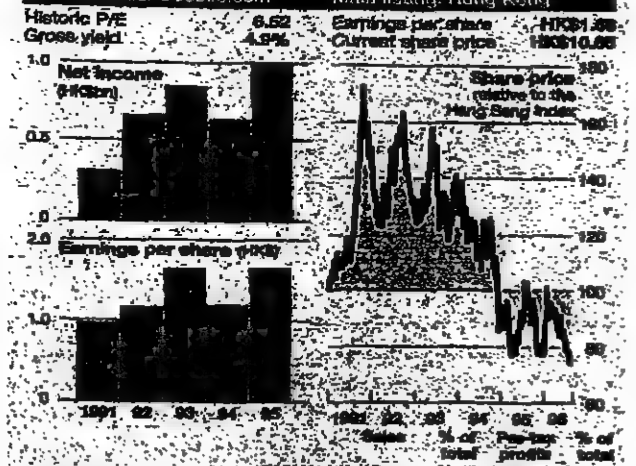
But few in Hong Kong's tight-knit financial community believe these problems are sufficient to throw Peregrine's aggressive expansion strategy off course. "They all seem to be local difficulties, and Peregrine can afford to lose a couple of million [HK$] a year," says the head of a rival brokerage, adding that some of the problems stemmed from poor choice of partner.

While Asian countries – excluding Hong Kong – accounted for 62 per cent of turnover last year, they contributed only 12 per cent of profit. Hong Kong accounted for 24 per cent of turnover and 86 per cent of profit. Mr Mercer says the Vietnamese operation – which boasts the country's only investment advisory licence – is "very small" and does not make any profit contribution.

Peregrine Investments

Market value: US$866.63m | Main listing: Hong Kong

Historic P/E 6.52 | Gross yield 4.9% | Earnings per share [illegible] | Current share price HK$10.65



	Sales	% of total	Pre-tax profits	% of total
Corporate finance	167,559	0	-22,049	-2
Securities brokerage	440,548	1	7,897	1
Foreign exchange & commodities	15,225	0	-23,298	-3
Derivatives	276,335	0	184,090	20
Fixed income	67,429,100	80	158,220	16
Direct investment	280,442	0	-23,643	-3
Investment trading	15,665,300	19	701,532	76
Assey management	6,183	0	-16,948	-2
Other financial revenues	107,569	0	107,569	12
Management & administrative expenses			-180,308	-19
TOTAL (HK$)	[illegible]		[illegible]	

Source: FT Extel, Datastream, Reuter

In contrast to these local difficulties – which, apart from Australia, have arisen in countries without capital markets that have been broadly shunned by the competition – there is market talk that Mr Philip Tose, chairman of Peregrine Investments, may be seeking an overseas alliance, possibly with a European bank that has little exposure to Asia. But others suggest a different motive for Mr Tose's travels: that he may be looking to sell a stake in Peregrine.

> Few in Hong Kong's financial community believe these problems are sufficient to throw Peregrine's aggressive expansion strategy off course

Mr Alan Mercer, company secretary, denies the rumours. He points to Peregrine's leading position in independent league tables of non-Japan Asian equity issues. "We consider ourselves capable of distributing Asian product around the globe, and we do not see any significant home-grown competitors at this time."

Arguably, Peregrine's greatest assets are its contacts. The eight-year-old banking group took off with backing from the territory's biggest corporates and tycoons, including Mr Li Ka-shing, Mr Gordon Wu of infrastructure and property group Hopewell Holdings, and Citic Pacific, China's investment agency. Earlier this year Peregrine completed big placements for both Cheung Kong, Mr Li's flagship company, and Citic Pacific.

But the robustness of these contacts is now in question. In December 1994, weak markets and a low investment grade rating prompted Mr Wu to scrap plans for a bond issue for Hopewell. It would have marked Peregrine's debut in the bond market, following its acquisition of Lehman Brothers' fixed-income team, but Hopewell instead went for a HK$7bn bank loan. A "consolation" bond issue by Mr Wu's power company, Consolidated Electric Power Asia, did not materialise.

This has not been lost on Peregrine's competitors. "It is altogether tougher for them now. They have got certain big deals related to Cheung Kong in the past, but if you knock out the tame deals, they were not doing anything too special compared with the opposition," says one.

"The American houses in particular are only interested in the big deals so it is very competitive. They have to rely very much on their connection with Mr Li and friends to win the business."

Louise Lucas

Solid growth at Bank of East Asia

By Louise Lucas in Hong Kong

The Bank of East Asia, Hong Kong's third-biggest listed bank, yesterday reported net earnings of HK$846.92m (US$109.5m) for the six months to June 30, up 23.3 per cent on the HK$687.01m in the same period last year.

While the underlying growth was broadly in line with market expectations, analysts were concerned at the level of specific provisions. Unlike other banks which have made bigger charges for general provisions – in part to smooth earnings in what has been a strong half-year for the sector – Bank of East Asia attributed HK$137m to specific trade finance loans that have soured.

It made total interim provisions of HK$188.39m, compared with HK$84.84m at the halfway stage last year. Analysts were told the debts related to a handful of Hong Kong-listed companies, and that Bank of East Asia had wholly provided for them, even though they were partly collateralised. This indicated to some the possibility of write-backs in the future.

An analyst at a UK house said the companies concerned were in the manufacturing or trading sectors, which have been responsible for most of the problem loans at the region's banks this year and last. Sluggish exports suggest the trend will continue in the second half.

On fundamentals, however, Bank of East Asia matched the strong growth shown of its competitors. Net interest income grew 27.57 per cent, to HK$1.4bn from HK$1.09bn. Operating profit before provisions rose 32 per cent, to HK$1.15bn from HK$869.37m last time.

Earnings per share climbed 21.9 per cent, to 78 cents from 64 cents, and the directors are recommending an interim dividend of 25.5 cents, up 11.3 per cent on 22.9 cents last time.

Mr David Li, chairman, said the second half was expected to bring "moderate growth" as exports rebound and the property market sustains its moderate growth.

Mr Li outlined a long-term strategy to sell stakes in United Chinese Bank, which the group acquired in June last year, to mainland and Taiwanese banks.

Deere posts record earnings in third quarter

By Laurie Morse in Chicago

Deere and Company, the US maker of agricultural and lawncare equipment, posted record earnings in the third quarter, ended July, and said expanding global demand would continue to strengthen the company's outlook.

"Growing worldwide demand for agricultural commodities coupled with the existing low levels of world grain stocks have resulted in strong prices for grains and oilseeds.

"Additionally, the new 'freedom to farm' bill has further strengthened US farm income by establishing substantial transition payments to participating farmers while reducing restrictions on farm acreage utilisation," said Mr Hans Becherer, Deere's chairman.

Export markets for agricultural commodities remained strong in spite of higher prices and a strengthening dollar, lifting farmers' confidence and establishing a favourable selling environment for Deere products.

In the third quarter, Deere's earnings were up 13 per cent at $204.4m, or 79 cents a share, from $180.1m, or 69 cents, in the 1995 third quarter.

Sales for the quarter were $2.9bn, up from $2.7bn a year ago.

For the first nine months, Deere earned $643.4m, or $2.46 a share, compared with $555.5m, or $2.14, in the first nine months of 1995.

Year-to-date sales were $8.3bn, up 10 per cent from $7.6bn in the same period last year.

Export sales from the US were $1.2bn in the first nine months of the year, up 21 per cent from last year.

BT adopts Microsoft browser

By Paul Taylor in London

Microsoft, the US-based software group, will today announce further gains in its continuing battle with Netscape Communications over the market for Internet browser software.

As part of the launch of Internet Explorer 3, Microsoft's new browser, British Telecommunications will announce it has adopted the software for its mass-market BT Internet service, which was launched four months ago.

Mr Raj Kanthan, BT product manager for Internet services, said yesterday BT planned to substitute a Microsoft package of Internet software, including dialler, mail and news programmes, for its current package, which is based on software supplied by FTP.

Future versions of Microsoft's operating systems will also include details of the BT Internet service, making it easier for new users to set up their BT Internet connection.

Lower prices hit profits at Capral

By Nikki Tait in Sydney

Capral Aluminium, one of Australia's leading aluminium smelting companies, yesterday announced an after-tax profit of A$17.9m (US$14m) in the six months to end-June, down sharply on the A$27.6m achieved in the same period last year.

The group – the former Alcan Australia group, which was renamed when Canada's Alcan sold its controlling stake in 1994 – said sales had risen to A$432.4m, almost 4 per cent higher than the A$416.9m seen in the first half of 1995-96.

It blamed the profit slump on lower metal prices and the recent strength of the Australian dollar, and said revenues would have been higher still but for these movements.

"The primary causes of reduced earnings were the lower metal prices and the strengthening of the Australian dollar," Capral said. "These factors also impacted on revenues offsetting benefits arising for the acquisition of extrusion and distribution businesses from Comalco [the Australian aluminium group] in late 1995".

The profit downturn came chiefly in the primary production side, where pre-interest earnings slumped from A$51.9m a year ago to just A$19.1m. Capral said that its Kurri Kurri smelter had returned to its full operating rate, and that it hoped to complete upgrades of anode-baking furnaces and rodding technology in 1996 and 1997, respectively.

On the downstream side, earnings were lifted by the acquisition of the Comalco units, which cost Capral A$81.8m. Here, pre-interest earnings rose from A$13.9m a year ago to A$21m, with sales advancing 24.9 per cent to A$226.7m. The group, however, warned that building industry demand remained depressed. "Market conditions experienced in the first half of the year are not expected to change for the rest of the year."

The interim dividend is held at 8 cents a share. Capral shares added 4 cents to A$3.70.

Notice of Early Redemption
to the Holders of
Skandinaviska Enskilda Banken
USD 92,500,000
Perpetual Subordinated Variable Rate Notes

Notice is hereby given that in accordance with Condition 5 (A) of the Notes, the Issuer will redeem the outstanding principal amount of USD 92,500,000 - at 100 per cent of its value on 10th September, 1996.

Repayment of principal will be made upon presentation and surrender of the Notes, with all unmatured coupons and talons attached, at the office of the Fiscal Agent:

Dai-Ichi Kangyo Bank (Luxembourg) S.A.
2, Boulevard de la Foire
Place de l'Etoile,
L-1528 Luxembourg
Luxembourg

Accrued interest due on 10th September, 1996 will be paid in the normal manner against presentation of Coupon no 10

Dai-Ichi Kangyo Bank (Luxembourg) S.A.
Fiscal Agent

Date: 14th August, 1996

Colonial.
Colonial Finance Limited
A.C.N. 067 255 435
US$150,000,000
Subordinated Guaranteed Floating Rate Notes 2005
The rate of interest for the period 14 August 1996 to 14 February 1997 has been set at 6.4297% per annum. Interest payable value 14 February 1997 will amount to US$328.63 per US$10,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

Impala Platinum Holdings Limited

Registration No. 57/01979/06

The major features of the financial year ended 30 June 1996 for the Implats group were:

- the blocking by the European Commission of the merger with Western and Eastern Platinum
- the issue by the Bafokeng Tribe of a legal challenge to all the agreements
- dollar metal prices which fell 16% over the year
- Rand prices which fell in parallel until the currency crisis in February stimulated a recovery, to the levels of a year ago
- turnover in rands per ounce of platinum the same as last year
- a 2,1% increase in platinum produced due to cleaner mining and higher recoveries
- a 10% rise in operating costs. The higher volumes contained unit cost increases on mine to 8,8%
- a major furnace failure and the recovery of concentrate stock piles led to a substantial increase in in-process stocks
- declared output ex-refinery was depressed by 4% due to the build up in stocks
- total costs per ounce of platinum rose by 12,7% (6% if allowance is made for the extraordinary increase in process stocks)
- a reduction of 37% in attributable income as cost saving efforts were swamped by the price movements

Based upon these disappointing circumstances and a sense that recovery in our principal markets may be some time away, your directors have reduced the total dividend for the year by 75 cents to 100 cents per share.

Accordingly a final dividend of 70 cents per share has been declared, payable to members on 3 October 1996.

Highlights from Consolidated Income Statement

(R millions)	1996	1995
Turnover	2 317	2 435
Cost of sales	2 080	1 883
Income from platinum mining	207	472
Net financial income	74	17
Income before taxation	298	508
Lease, royalties and tax	133	264
Consolidated income after taxation	189	284
Attributable income	176	281
Distributable income for the year	(3)	157
Dividends declared	62	109
Shares in issue (millions)	62,2	62,2
Attributable earnings per share (cents)	282	451
Dividends per share (cents)	100	175

Prospects

The fundamentals of this business remain strong. Two necessary conditions to recovery are, firstly and most importantly to come to the end of Russian platinum sales from stock, and secondly to reinforce and encourage recent trends whereby the autocatalyst industry is re-evaluating its headlong dash into palladium.

Both these conditions are only likely to occur in the medium to long term. Until that time it is expected that dollar prices will show only modest growth, if any, from current levels.

Shareholders should note that $193 million of anticipated receipts up to December 1996 is fixed at an average forward rate of R3.92 to the dollar.

Despite this limitation the weakening of the rand provides an opportunity to increase revenues while containing costs. The excitement in the company is the number of defined opportunities that exist to contain costs and improve efficiencies further. The company has the demonstrated skills and knowledge to deliver these opportunities.

The judgement of your board is that the combination of these circumstances and deliverables will result in a reasonable recovery over the next year.

A copy of the Chairman's Statement and Financial Results is available on the Internet web site: http://www.implats.co.za. Alternatively please contact the Group Secretary, via E-Mail at jgaylard@imphomrkt.implats.co.za, or by post at P.O. Box 61386, Marshalltown, 2107, South Africa. Telephone (011) 376-2800

J M McMahon
Executive Chairman
13 August 1996

J P Möller
Director

Prague tries foreign patience

A US investor is seeking more transparency in Czech markets

Angry foreign investors are commonplace in Prague, but few are as angry as Mr Howard Golden, president of the Central European Privatisation Fund, a New York investment firm, who wishes he had never heard of the Czech stock market.

CEPF, which has invested some $32m in Czech and Slovak stocks since late last year, is taking legal action in order to prevent PIAS, a fund management company owned by Investiční & Poštovní Banka, the third biggest Czech bank, from carrying out a merger of three PIAS-managed investment funds. Mr Golden believes that the case cuts to the heart of transparency and accountability issues on the Prague stock exchange.

The New York firm alleges the merger is illegal and discriminates against minority shareholders. It also alleges "fraudulent inducement in obtaining votes" at an extraordinary shareholder meeting last month, which approved the merger by a majority of 200 shares. Mr Golden also says the meeting was weighted against minority investors.

PIAS said the value of the funds would not be affected by the merger, according to CEPF, but the value of one fund later fell 10 per cent even though the stock market was rising.

Some $6m of CEPF's investment is in PIAS funds, a stable of privatisation funds among the largest on the Prague stock exchange.

Mr Golden says PIAS has not explained the rationale behind the merger of the three funds, which had a combined market value of nearly Kč1.5bn ($56m) in late July. The merger has been suspended pending legal action.

Mr Golden last week asked PIAS for clarification of potential conflicts of interest between the firm and its parent, IPB, and an explanation of why 10 per cent of all the assets it manages is invested in shares of its parent bank. Much of PIAS's stake in IPB has been bought through repo agreements between the bank and the fund manager, using other assets in its portfolios as collateral.

He also asked for the analysis PIAS used in deciding to invest so heavily in IPB shares, at a time when other analysts are recommending that investors avoid the bank because of its failure to provision adequately for bad loans.

"Our real objective is to get some information from these people and find out what is happening to shareholders' money," Mr Golden says, describing the PIAS investment in IPB as "self-dealing".

PIAS rejects CEPF's allegations. It says the merger will benefit all shareholders by reducing administration costs and simplifying management. "The attempt to block the merger goes against the interests of shareholders [in the funds]," says Mr Jaroslav Trneček, director of PIAS.

Mr Trneček rejects a widespread suspicion among analysts that IPB has ordered PIAS to buy its stock, in breach of the separation of powers that theoretically exists between banks and their fund management arms. IPB is attempting to launch an international issue of Global Depositary Receipts later this year.

"We consider IPB as a blue chip investment. It fulfils our criteria on what qualities a blue chip should have," Mr Trneček says. He adds that the decision to invest in IPB was made by a portfolio committee, on which the bank is represented.

The clash between the CEPF and PIAS is as much cultural as legal. Mr Golden, a brash New Yorker with Wall Street written all over him, could hardly be more unlike the conservative, reticent managers of Prague's leading investment houses.

Some independent fund managers think this may be part of the problem. While they are watching the dispute closely, and support the US firm in its efforts to seek greater accountability for shareholders, they are bemused that CEPF put $6m into funds they have been avoiding for at least a year.

Mr Golden came to Prague late last year seeking investment opportunities for CEPF, which has some of Wall Street's top bankers among its principals. Czech fund managers wanted his money, but some say he did not appreciate the difficulty of operating in the Prague stock market, which is rife with insider dealing.

"He's a real neophyte," says one asset manager. "But if he wins against PIAS, more power to him. It'll be a positive sign [for the market]".

While Mr Golden says he would be prepared to settle out of court, he also wants to set a precedent for other aggrieved shareholders. "I'm no longer going to be pushed around. I want to let fund managers know that foreign investors, and certainly this foreign investor, is not going to allow self-dealing to go on."

Vincent Boland

Profits at SE-Banken jump in first half

By Greg McIvor in Stockholm

Skandinaviska Enskilda Banken, one of Sweden's leading banks, yesterday emphasised its return to health following heavy loan losses last year by announcing a jump in six-month operating profits from SKr47m to SKr2.7bn ($400m).

First-half credit losses fell from SKr3.2bn to SKr846bn, or from 2.46 per cent of total lending to 0.67 per cent – a level the bank described as normal. SE-Banken had stunned investors at the same point last year by revealing it had made losses of SKr2.7bn linked to a failed financial investment group called Luxonen.

Operating profits were on the high side of market expectations, buoyed by a stabilisation of the bank's net interest-income margin. Operating profits excluding lending losses increased 10 per cent, from SKr3.2bn to SKr3.56bn. The bank's shares edged up SKr0.50 to SKr57 yesterday.

Mr Björn Svedberg, chief executive, said: "An operating result of SKr2.7bn and an earning capacity [return on equity] of close to 20 per cent confirm that we are on the right track."

However, he acknowledged that cost development had been adverse in the second quarter. Personnel costs rose 10 per cent in the six months, but Mr Svedberg said much of the increase was due to a new staff profit-sharing scheme.

Mr Keith Baird, a London-based banking analyst at Kleinwort Benson, expressed concern over the costs growth. He said the impact of profit-sharing was not a one-off factor and would recur in line with profit levels. "It is a huge increase at a time when the story in the European banking sector is serious cost reduction."

However, Mr Baird welcomed the decline in loan losses to a level close to that seen before the Swedish banking crisis took hold in 1990.

Net interest earnings were flat at SKr3.4bn, but deposit and lending margins were lower. This was offset by falling interest rates and reduced interest costs arising from the de-consolidation of Diligentia, the property management company which is to be spun off to shareholders in September.

Creditanstalt moves step closer to sell-off

By Eric Frey in Vienna

The privatisation of Creditanstalt, Austria's second-largest bank, moved closer yesterday as First Austrian Savings Bank reached agreement in principle with its consortium partners on a joint holding group for Creditanstalt and First Austrian.

The new plan calls for a joint management of both banks, with a limited role for First Austrian. But it falls short of the full merger demanded by the other partners in the bidding consortium, which include EA-Generali, the Austrian subsidiary of the Italian insurance group, Commerzbank of Germany and Banca Commerciale Italiana.

If the remaining questions are settled, the two-year-old consortium can submit a formal bid to the Austrian government for the 70 per cent voting stake in Creditanstalt, which is worth about Sch15bn ($1.4bn). The privatisation of Creditanstalt has dragged on for five years, and Mr Viktor Klima, Austria's finance minister, needs the receipts for his 1996 budget.

The compromise stipulates that the holding group will own all shares of Creditanstalt, but only 74.9 per cent of First Austrian. The remaining 25.1 per cent will be kept by AVS, the foundation that owns First Austrian.

AVS will be the largest single shareholder in the holding group. But in contrast to First Austrian's original proposal, it will not be able to dominate the whole group. First Austrian is less that half the size of Creditanstalt.

Viktor Klima: needs privatisation receipts for budget

Existing Creditanstalt and First Austrian shareholders would swap their stock for shares in the holding group, so only one class of stock would be publicly traded. This would facilitate the secondary stock offering for which the consortium wants to finance about one-third of its bid.

First Austrian did not budge on the question of the 25 per cent direct stake for AVS, which it said was needed to guarantee its status as a savings bank. But AVS will sign a syndicate agreement with its consortium partners that it will not block any decision by the holding in the First Austrian subsidiary.

First Austrian is also expected to accept a management accord that will allow the holding group to run the two banks as a single company and have one consolidated balance sheet, bankers say. Creditanstalt, which was highly critical of First Austrian's original plan, seems poised to accept the latest structure.

Among the remaining stumbling blocks is the valuation of the two banks, the terms for the share swaps and the distribution of shareholder power in the holding group. First Austrian wants to use existing auditing reports for the valuation, while Creditanstalt says both banks should be freshly valued by the same auditor.

SPT lifts revenues to Kc15bn

By Vincent Boland in Prague

SPT Telecom, the Czech telecoms operator in which PTT Telecom Netherlands and Swiss Telecom jointly own a 27 per cent stake, yesterday reported pre-tax profits of Kc4.48bn ($168m) for the first half of 1996, as new customers lifted revenues.

Revenues reached Kc15.1bn after a 12 per cent increase in telephone lines and higher charges in effect from April. These factors helped SPT raise its gross profit margin from 27 per cent at the end of last year to 30 per cent for the six months to June.

After-tax profits were Kc2.82bn. Comparative figures for the first half of 1995 are not available as the company has adopted international accounting standards this year, which are different to the Czech standards used in earlier years.

However, the company appears on target to beat the full-year 1995 pre-tax profit of Kc7.02bn, which it achieved on revenues of Kc26.42bn. Analysts have forecast total 1996 revenues of about Kc30bn.

Total costs were Kc8.2bn, compared with Kc13.87bn for all 1995. SPT said this was because of increased charges resulting from its accelerated development programme, and they were offset by exchange rate gains.

SPT installed more than 172,000 telephone lines in the first half, bringing the number of main telephone lines it operates to 2.57m. It is undertaking a big modernisation drive to expand its network and spent Kc11.74bn in the period, lower than planned because of construction delays.

It said 45 per cent of Czech households now had a telephone line, against 18 per cent at the beginning of the year, increasing the density of coverage from 23 per cent of the 10.5m population to 25 per cent.

Templeton

Templeton Global Strategy Sicav
Société d'investissement à capital variable
Registered office: Centre Neuberg, 30, Grand-rue, L-1660 Luxembourg
R.C. Luxembourg B 35 177

Notice of Extraordinary General Meeting of Shareholders of Templeton Global Strategy Sicav

Notice is hereby given that an Extraordinary General Meeting of Shareholders (the "Meeting") of Templeton Global Strategy Sicav (the "Company") will be held at the registered office of the Company on August 23, 1996, at 10.00 a.m., with the following agenda:

Agenda

Approval of a proposal to make amendments to the Articles of Incorporation of the Company (the "Articles"), and accordingly to fully restate the Articles, without changing the exclusive object of the Company. Such amendments will include in particular provisions:

- to change the name of the Company to Templeton Global Strategy Funds;
- to allow the Board of Directors of the Company, at its sole discretion, to transfer the registered office of the Company to any commune of the Grand-Duchy of Luxembourg;
- to fix the date of the Annual General Meeting of Shareholders on the bank business day immediately preceding the 30th day of the month of November in each year, if such day is not a bank business day;
- to introduce the possibility for the Board of Directors of the Company to make, in respect of any existing and future Fund of the Company, indirect investments through wholly-owned intermediate subsidiaries incorporated in any suitable jurisdiction and carrying on management activities exclusively for the Company, and this primarily, but not solely, for the purposes of greater tax efficiency;
- to authorize the Board of Directors of the Company to extend the period for payment of redemption proceeds to such period, not exceeding 30 bank business days, as may be required by settlement and other constraints prevailing in the financial markets of countries in which a substantial part of the assets attributable to any existing and future Fund of the Company shall be invested, and this exclusively with respect to those existing and future Funds of the Company of which the investment objectives and policies, as more fully described in the Prospectus, provide for investments in equity securities of issuers in developing countries (namely, at the time of this Notice, the Templeton Asian Growth Fund, the Templeton Asian Smaller Companies Fund, the Templeton China Fund, the Templeton Korean Fund and the Templeton Emerging Markets Fund);
- to permit the Board of Directors of the Company to require prior notice to effect redemptions;
- to introduce the possibility for the Board of Directors of the Company to accept subscriptions in kind and to pay, with the approval of the Shareholder(s) concerned, redemption proceeds in kind;
- to introduce the possibility for the Board of Directors of the Company to decide upon the pooling of the investments of two or more existing and future Funds of the Company;
- to authorize the Board of Directors of the Company to close down any existing and future Fund of the Company by contributions into another undertaking for collective investment governed by the laws of the Grand-Duchy of Luxembourg, if the net assets of the Fund concerned fall below USD 5,000,000 or if required by the interests of the Shareholders of the Fund concerned or if a change in the economic or political situation relating to the Fund concerned would justify such merger;
- to permit the Board of Directors of the Company to decide upon the reorganization of any existing and future Fund of the Company, by means of a division into two or more separate Funds, if required by the interests of the Shareholders of the Fund concerned or if a change in the economic or political situation relating to the Fund concerned would justify such reorganization.

Information for Shareholders

The draft, subject to amendment, as may be required by the competent supervisory authority or recommended by the legal advisers of the Company, of the restated Articles is available for inspection at the registered office of the Company and a copy thereof will be sent to Shareholders on request.

Notice of Class Meeting of Shareholders of Templeton Pan-American Fund

Notice is hereby given that a Class Meeting of Shareholders (the "Class Meeting") of one of the Funds of the Company, the Templeton Pan-American Fund (the "Fund"), will be held at the registered office of the Company on August 23, 1996, at 10.30 a.m., with the following agenda:

Agenda

Approval of a proposal to reorganize the Fund by means of a division into two separate Funds. As a result of the reorganization, the name of the Fund will be changed to Templeton Latin American Fund and its current main features will be altered, as more fully described below, under "Information for Shareholders", and a new Fund of the Company, the Templeton American Fund, will be created. The division of the Fund into the Templeton Latin American Fund and the Templeton American Fund (the "new Funds") will occur through a series of transactions described below: [illegible]

Information for Shareholders

[illegible]

VOTING

FURTHER MEETING AND CLASS MEETING

[illegible]

VOTING ARRANGEMENTS

[illegible]

VENUE OF THE MEETING(S) AND CLASS MEETING(S)

[illegible]

For further information, Shareholders are invited to contact their nearest Templeton office:

Edinburgh	Frankfurt	Luxembourg	Hong Kong
Tel: Toll-free from U.K. 0800 37 43 26 International (44) 131 469 4000	Tel: (49) 69 272 23 272	Tel: (352) 46 66 67 212	Tel: (852) 2877 7733
Fax: (44) 131 228 4506	Fax: (49) 69 272 23 120	Fax: (352) 22 21 60	Fax: (852) 2877 5401

The Board of Directors

CONTRACTS & TENDERS

MINISTRY OF ARTS,
CRAFTS AND TOURISM SPA BUREAU

INTERNATIONAL INVITATION TO TENDER FOR THE SALE OF THE JEBEL OUST HOTEL, SPA AND SPORTS COMPLEX

The State, in accordance with its policy of withdrawing from the competitive sector, is pursuing a programme to restructure the spa & water cure sector and sell all the production units of the Spa Bureau. Under this programme, an international invitation to tender is being launched for the sale of the Jebel Oust Hotel, Spa and Sports Complex.

Specifications are available, from the date of publication of this announcement, from the Spa Bureau (Office du Thermalisme) at 8 rue du Sénégal 1002 Tunis le Belvédère, Tunisia; at a cost of TND300 (three hundred dinars).

Interested parties in possession of specification can visit the Jebel Oust Hotel, Spa and Sports Complex on working days from 9am to 12pm. Appointments must be made in advance with the Chairman and Managing Director of the Spa Bureau.

Tenders, accompanied by the specifications and annexes, should be sent by registered mail in a sealed double envelope to the Ministère du Développement Economique, secrétariat de la Direction Générale de Privatisation, Place Ali Zouaoui, 1000 Tunis, Tunisia.

The outside envelope should bear no indications other than the words *Ne pas ouvrir - appel d'offres pour la vente du Complexe Hôtelier-Thermal et Sportif de Jebel Oust* (i.e. Do not open - tender for the sale of the Jebel Oust Hotel, Spa and Sports Complex).

Tenders must be received and stamped no later than Saturday September 7, 1996 by the Ministry of Economic Development orders department.

Tenders received after this date or incomplete tenders will be rejected.

Notice of Redemption

£150,000,000 GUARANTEED FLOATING RATE NOTES DUE DECEMBER 1997

Citicorp Finance PLC

Unconditionally Guaranteed by

CITICORP

NOTICE IS HEREBY GIVEN THAT Citicorp Finance Plc has, pursuant to the Prospectus dated December 6, 1985 elected to redeem on September 27, 1996 (the "Redemption Date") all of the £150,000,000 Guaranteed Floating Rate Notes Due December 1997 unconditionally guaranteed by Citicorp.

On September 27, 1996 the principal amount of each Note will become due and payable, together with interest accrued to such date. On and after such date, interest will cease to accrue.

The Notes are to be redeemed at the main offices of Citibank, N.A. in London, Citibank, N.A. Brussels, at the main office of Citicorp Bank (Luxembourg) S.A. in Luxembourg, at the main office of Citicorp Bank (Switzerland) in Zurich and at the main office of Christiania Bank og Kreditkasse in Oslo. The Notes, together with all interest coupons maturing subsequent to the Redemption Date attached thereto, should be presented and surrendered at the offices set forth above on the Redemption date.

August 14, 1996, London
By: Citibank, N.A. (Corporate Agency & Trust), Paying Agent CITIBANK

DM 100,000,000

Bank Austria

Z-Länderbank Bank Austria Aktiengesellschaft
(Incorporated with limited liability under the laws of the Republic of Austria)

Fixed/Inverse Floating Rate Notes due 2000

Notice is hereby given that for the six months Interest Period from August 14, 1996 to February 14, 1997 the Notes will carry an Interest Rate of 14.96875% per annum. The interest payable on the relevant interest payment date, February 14, 1997 will be DM 7,650.69 per DM 100,000 denomination.

By: The Chase Manhattan Bank
London, Agent Bank

August 14, 1996

CHASE

st.george

St. George Bank Limited
(incorporated in New South Wales)
A.C.N. 055 513 070

U.S. $100,000,000

Floating Rate Notes due 1998

Notice is hereby given that for the Interest Period 13th August, 1996 to 13th November, 1996 the Notes will carry a Rate of Interest of 6.0125% per annum. The Interest Amounts payable will be U.S. $153.65 per U.S. $10,000 Note and U.S. $1,536.53 per U.S. $100,000 Note. The Interest Payment Date will be 13th November, 1996.

Bankers Trust Company, London — Agent Bank

هكذا من الاصل

Dixons breaches Greenbury report

By William Lewis

Dixons, the electrical retailer, has refused to change its controversial triple remuneration committee structure and Sir Stanley Kalms, chairman, has warned shareholders of "increasing demands for management by prescription" because of corporate governance rules.

Dixons' annual report, sent to shareholders this week, discloses that Sir Stanley chairs the remuneration committee which determines executive directors' pay. This breaches the Greenbury committee's report on executive pay, which states that executive directors' pay should be set "exclusively" by non-executives.

A second remuneration committee, staffed by all Dixons' non-executive directors, is responsible for setting Sir Stanley's pay.

He received £865,000 ($1.35m) in basic salary and bonus in the year to April 27, up by 12.5 per cent from £769,000 the previous year, when Sir Stanley also waived £100,000 of his bonus payment. Paper profits from share options of £754,762 took Sir Stanley's total earnings during the 54 weeks to May 8 to some £1.6m.

A third remuneration committee sets non-executive directors' pay and is staffed by Sir Stanley and Mr Mark Souhami, the deputy chairman.

The Greenbury report, parts of which have been annexed to the Stock Exchange's rule book, states that non-executive directors' pay should be "set by the board as a whole".

Dixons' annual report states that it has complied with the Greenbury report "with the exception that Sir Stanley Kalms chairs the remuneration committee which determines the salaries of the other executive directors".

Sir Stanley, a long-standing critic of the Greenbury report and other corporate governance rules, writes in the annual report that "regretfully, but perhaps inevitably, debate on this subject [corporate governance] has now taken on a life of its own, becoming increasingly academic and remote from commercial reality".

Yesterday, Sir Stanley defended the Dixons' triple remuneration committee structure. "Only the chairman can assess the value of his executives. We apply our logic and have three separate [remuneration] committees," he said.

He said that his basic salary had increased by a "very small amount" – £18,000 – and that the £236,000 bonus payment he received this year "looks bigger because I waived most of it last year".

Positive cash flow at Gen Cable

By Raymond Snoddy

General Cable, the French-controlled cable group, has achieved positive operating cash flow in all its franchises for the first time.

It is believed to be first of the large quoted UK cable groups to achieve this – stated before interest costs, tax and depreciation.

General Cable's main operating companies, The Cable Corporation in west London and Berkshire and the Birmingham Cable Corporation, have produced positive operating cash flows for the last three quarters. They have now been joined by the Yorkshire Cable Group, even though the network in areas such as Sheffield, Bradford and Halifax is only 34 per cent built.

However, after interest and depreciation, pre-tax losses deepened from £10.9m to £12.6m in the first half of this year. Revenues increased from £14.2m to £20.1m.

The shares gained 2½p to close yesterday at 163p.

to £935. General Cable said this resulted from "changes in the mix of new business".

Birmingham Cable is a joint venture with Comcast of the US, and the interim results do not take into account General Cable's purchase of 50 per cent of Yorkshire Cable from its partner Singapore Telecom.

GA slips and raises prices

By Ralph Atkins, Insurance Correspondent

Fergus Wilso

Philip Twyman (left) with Bob Scott: interested in further expansion in continental Europe

General Accident yesterday dispelled some of the gloom over composite insurers with a smaller than expected fall in first half operating profits from £257m to £194m ($302.6m).

Higher life profits and a good second quarter performance in UK general insurance helped offset increased weather losses of £56m.

GA said it was seeking to reverse the downturn in the UK underwriting cycle with fresh price rises – including a 3.5 per cent increase in commercial motor rates from August 1, on top of 6 per cent added in February.

Despite consolidation among UK insurers, GA hinted strongly it was unlikely to seek a large acquisition in its home market. Mr Bob Scott, chief executive, said: "It is no good just racing around buying... There is nothing wrong with organic growth".

However, he said GA was interested in further expansion in continental Europe, particularly France, and in international life operations.

Underlining its commitment to life activities, GA has appointed Mr Philip Twyman, from the Australian Mutual Provident Society, one of the world's largest life insurance groups, as executive director responsible for finance and worldwide life operations and member of GA's executive management committee.

GA said the integration of Provident Mutual, the life insurer acquired last year, was ahead of plan with one-off integration and transitional costs this year unlikely to exceed £20m.

Overall, long-term business profits rose from £34m to £46m, including £5m from Provident Mutual. UK new annual premium business doubled to £42m. UK non-life insurance rebounded from a weak first quarter to make an first-half underwriting profit of £13m (£95m). US results also improved in the second quarter when Canada produced its best quarterly result for 10 years.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Arlen Petroleum ☆	6 mths to June 30	7.41	(5.4)	0.455L‡	(0.728L‡)	1L	(2L)	nil	-	nil	-	nil
BOC	9 mths to June 30	2,993	(2,763)	327.3	(294.6)	42.17	(37.88)	-	-	-	-	24.8
Epwin	6 mths to June 29	34.3	(33.4)	2.02♠	(2.63)	6	(8.2)	[illegible]	Oct 14	2.9	-	8.9
General Accident	6 mths to June 30	3,150□	(3,005□)	350	(300)	49.3	(44.5)	11.4	Jan 1	10.7	-	[illegible]
General Cable	6 mths to June 30	20.1	(14.2)	12.6L	(10.9L)	4.7L	(4.5L)	-	-	-	-	-
Persona	6 mths to June 30	65.2	(24.8)	2.71♠	(1.35)	7.78†	(6.88)	1.7	Nov 29	1.44	-	4.8
Pifco	Yr to April 30	41.8	(37.4)	3.12	(2.7)	17.6	(10)	3.15	Oct 8	2.85	5.45	4.95
Sedgwick	6 mths to June 30	[illegible]	(474.8)	64.1	(63.1)	7.8	(7.3)	3.75大	Oct 21	3	-	7.375大
VDC Φ	Yr to May 31	62.9	(52.9)	1.65	(1.31)	15.62†	(12.66)	3.825	Oct 11	3.375	5.2	4.75

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
NatWest Smaller	Yr to June 30	168.18	(120.08)	1.84	(1.59)	3.9	(3.36)	2	Sept 30	1.875	3.125	3
Smaller Cos	6 mths to June 30	167.26	(138.16)	0.614	(0.957)	1.25	(1.95)	1.3	Sept 27	1.3	-	3

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ‡After tax. ♠After exceptional charge. ♥After exceptional credit. □Premium income. †On increased capital. ☆US currency. 大Includes foreign income dividend element. ΦAim stock.

Sedgwick stresses scope for sector consolidation

By Ralph Atkins

Sedgwick, the international insurance broker, yesterday said it would consider a merger that fitted its global strategy and predicted consolidation among the six biggest companies in the sector.

The comments came as Sedgwick announced a small rise in interim pre-tax profits from £63.1m to £64.1m ($100m) amid continued tough trading conditions.

Takeover talk has been fuelled by reduced demand for insurance from many larger companies and by steep falls in rates which have squeezed brokers' incomes.

Mr Sax Riley, chief executive, said Sedgwick still believed there was room for only three or four "global brokers" out of the current six – despite comments by rival Willis Corroon suggesting the benefits of mergers had been over rated.

Mr Riley said Sedgwick was not interested in a merger with Willis Corroon, which was following a different strategy.

He refused to comment on speculation that discussions had taken place between the two companies.

Mr Riley would not discuss with which groups Sedgwick might seek a link.

But he said it was "important that Sedgwick is seen to be a market leader", focused on a large international network and developing fee-based consultancy businesses.

The results for the six months to June 30 showed an increase in brokerage and fees from £450.7m to £467.3m, offset by a rise in expenses largely associated with office moves in the US and investment in new businesses.

The company said it was continuing to seek cost cuts, with UK expenses falling by 3 per cent in the first half.

Noble Lowndes, its financial services and consulting arm, increased trading profits by 12 per cent to £7.4m, and Sedgwick expressed confidence about the second-half outlook for the division as it expected to benefit from better conditions in the UK life and pensions market.

HSBC buys JP Morgan's dollar clearing business

By John Gapper, Banking Editor

HSBC Holdings, the UK-based international banking group, has bought the dollar clearing operations of JP Morgan, in a move that further reduces the US bank's presence in transaction services.

The acquisition will put HSBC Financial Institutions, the clearing operation of the bank, among the top five US dollar clearers.

It follows Morgan's disposal of its global custody, European custody and commercial paper processing arms.

Transaction services are consolidating because banks need to have large volumes to make acceptable returns. Morgan has decided to reduce such business, apart from its contract to run Euroclear, the eurobond clearing operation.

HSBC Holdings runs a set of clearing operations in various retail banking subsidiaries around the world.

The purchase of Morgan's operations was made through Marine Midland, its US retail bank, which operates in New York state.

The dollar clearing operations, which handle clearing of funds for banks and large companies, employ about 200 people mainly in Delaware.

De Beers

De Beers Consolidated Mines Limited
(Incorporated in the Republic of South Africa)
(Company Registration No. [illegible])

De Beers Centenary AG
(Incorporated under the laws of Switzerland)

EXTRACTS FROM THE UNAUDITED INTERIM RESULTS FOR THE HALF-YEAR ENDED 30 JUNE 1996

Attributable to De Beers/Centenary linked units

◆ Attributable earnings up 18% in Dollars (32% in Rand)
◆ Equity earnings up 23% in Dollars (37% in Rand)
◆ Dividends up 5.5% in Dollars (26% in Rand)

PRO FORMA COMBINED INCOME STATEMENT

Year Dec. 1995 (Rand millions)	Half-year June 1995 (Rand millions)	Half-year June 1996 (Rand millions)		Half-year June 1996 (US Dollar millions)	Half-year June 1995 (US Dollar millions)	Year Dec. 1995 (US Dollar millions)
2 748	1 563	1 786	Diamond account	447	435	760
505	521	662	Investment income	166	145	223
261	122	101	Interest income	35	34	72
3 021	1 820	2 362	Net income before taxation	591	506	836
713	341	420	Taxation	105	95	197
2 256	1 462	1 925	Attributable earnings	482	407	624
3 564	1 992	2 727	Equity accounted earnings	683	555	986
380	380	380	*Number of linked units in issue (millions)*	380	380	380
			Earnings per linked unit			
594c	365c	507c	Excluding retained earnings of associates	127c	107c	164c
936c	524c	718c	Including retained earnings of associates	180c	146c	259c
			Dividends			
185.0c	53.0c	67.0c	Per De Beers linked deferred share	15.5c	14.6c	50.7c
154.1c	40.0c	49.9c	Per Centenary depositary receipt	11.5c	11.0c	42.2c
339.1c	93.0c	116.9c	Per De Beers/Centenary linked unit	27.0c	25.6c	92.9c
R3.62	R3.59	R4.00	US Dollar/Rand average exchange rates	R4.00	R3.59	R3.62

PRO FORMA COMBINED BALANCE SHEET

Year Dec. 1995 (Rand millions)	Half-year June 1995 (Rand millions)	Half-year June 1996 (Rand millions)		Half-year June 1996 (US Dollar millions)	Half-year June 1995 (US Dollar millions)	Year Dec. 1995 (US Dollar millions)
32 859	32 091	38 562	Linked unit holders' interests	8 896	8 818	9 003
384	361	358	Preferred and outside shareholders' interests	83	99	105
4 038	3 172	3 118	Long- and medium-term liabilities	719	871	1 106
37 281	35 624	42 038		9 698	9 788	10 214
			Represented by:			
3 713	3 661	4 238	Fixed assets	978	1 006	1 018
16 048	15 076	17 867	Investments	4 122	4 143	4 396
17 058	16 072	19 551	Diamond stocks	4 510	4 416	4 673
294	274	310	Stores and materials	72	75	81
168	541	72	Net current assets	16	148	46
37 281	35 624	42 038		9 698	9 788	10 214
44 630	40 756	52 381	Market value/directors' valuation of all investments including trade investments	12 084	11 199	12 227
59 275	55 626	70 561	Net asset value	16 278	15 286	16 240
15 590c	14 631c	18 559c	Net asset value per De Beers/Centenary linked unit	4 281c	4 020c	4 271c
R3.65	R3.64	R4.34	US Dollar/Rand period end exchange rates	R4.34	R3.64	R3.65

DIVIDENDS

Both the De Beers Consolidated Mines interim dividend (No. 153) of 67 SA cents per linked deferred share and the Centenary Depositary dividend distribution (No. 13) of 11.5 US cents per depositary receipt have been declared payable on Wednesday, 23 October 1996 to linked unit holders registered at the close of business on Friday, 13 September 1996. The registers will be closed from 14 September to 21 September 1996. The full conditions relating to the dividends may be inspected at the offices mentioned below as well as the offices of the South African transfer secretaries and the United Kingdom registrar.

COMMENT

The positive mood in the market in the first half of 1996 enabled the CSO to achieve record sales of US$2 748 million. As a result of strong demand for larger sizes, the CSO was able to announce a price increase with effect from the July sight. The increase for sizes above one carat averaged 7 per cent, and the overall increase was 3 per cent.

Following the signing of the Memorandum of Understanding between the Russian Government and Centenary in February, negotiation on the detail of the Trade Agreement has been continuing with Almazy Rossii-Sakha, but the process has been delayed by the Russian Presidential election process. In the meantime purchases from Russia continue on the basis of the existing sales contract extended since 31 December 1995.

In accordance with the adoption last year of the "first in first out" method of valuing diamond stocks, De Beers' 1995 first half figures have been restated. The effect has been to increase that period's diamond account and attributable earnings by R32 million (US$9 million).

There has been a repetition of last year's delay in deliveries to the CSO from the first half to the second half (though not to the same degree) with the consequent effect of reducing Centenary's borrowings and diamond stocks.

It did not prove possible to renew the CSO's contract with Argyle, which accounted for 6 per cent of the CSO's intake of rough diamonds, after its expiry on 30 June 1996. The Indian cutting industry had been anticipating a renewal, and this change in the supply situation, coupled with its high level of stocks of rough and polished diamonds, has unsettled the Indian trade. The CSO will be working closely with its clients as they adjust to the new situation.

The retail diamond jewellery markets continue to report satisfactory sales, and the outlook remains positive.

Copies of the interim reports and dividend notices will be posted to linked unit holders on or about 15 August 1996 and will also be available from the following offices:

De Beers Consolidated Mines Limited
36 Stockdale Street
Kimberley 8301
South Africa

De Beers Centenary AG
Langensandstrasse 27
CH-6000 Lucerne 14
Switzerland

Anglo American Corporation of South Africa Limited
19 Charterhouse Street
London EC1N 6QP England

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TOKYO PACIFIC HOLDINGS N.V.

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

Tokyo Pacific Holdings N.V. ("TPH") has its registered office in Curaçao, Netherlands Antilles.

Shareholders of TPH are hereby invited to attend an extraordinary general meeting of shareholders to be held at the office of the company at **John B. Gorsiraweg 14, Willemstad, Curaçao, Netherlands Antilles at 3.00 p.m. (local time) on September 4, 1996.**

The complete agenda which includes, among other things, a resolution to alter the articles of association and a resolution to move the registered office of TPH to Luxemburg, and the text of the proposal to amend the articles of association, has been deposited for inspection by the shareholders at the office of the company and at the offices of the paying agents referred to below.

Copies of the agenda and the text of the proposal to amend the articles of association may be obtained by the shareholders free of charge at the below-mentioned locations.

The holders of bearer shares must deposit their share certificates with one of the following paying agents offices in order to gain admission to the meeting. In exchange for the deposit, they will be issued with a receipt which also serves as proof of admission to the meeting.

The holders of registered shares should inform the Management Board of TPH in writing by August 28, 1996 at the latest if they wish to attend the meeting.

Willemstad, Curaçao, August 14, 1996.

THE MANAGEMENT BOARD

Paying Agents

MeesPierson N.V.	Trinkhaus & Burkhardt	Sal Oppenheim Jr. & Cie
Rokin 55	Königsallee 21-23	Unter Sachsenhausen 4
1012 KK Amsterdam	D-4000 Düsseldorf	D-50667 Cologne
The Netherlands	Germany	Germany

JCI Limited

Western Areas Gold Mining Company Limited

(Registration number 59/03209/06)
("Western Areas" or "the Company")
(Incorporated in the Republic of South Africa)

RESULTS OF ELECTION TO RECEIVE A FINAL DIVIDEND INSTEAD OF THE CAPITALISATION AWARD AND AN ELECTION TO SUBSCRIBE FOR NEW SHARES

The right of election to receive a final dividend instead of an award of capitalisation shares ("the Capitalisation Award") and the right of election by those shareholders electing the dividend to apply the dividend in subscribing for new Western Areas shares ("the Subscription") made to ordinary shareholders registered at the close of business on Friday, 5 July 1996 ("the record date"), closed at 16:00 on Thursday, 8 August 1996. The weighted average traded price of Western Areas ordinary shares on The Johannesburg Stock Exchange ("the JSE") on Wednesday, 7 August 1996 was R63.44. Accordingly, the award of capitalisation shares and the subscription for new shares was determined as a ratio of 0.9930643 new shares for each 100 shares held on the record date.

Elections to receive a final dividend of 60 cents per share in respect of the year ended 30 June 1996 instead of the Capitalisation Award were received in respect of 62,041,603 shares. Accordingly, a final dividend of 60 cents per share was declared on 13 August 1996 on 62,041,603 ordinary shares in respect of the year ended 30 June 1996. Elections to apply this dividend in subscribing for new shares in Western Areas were received in respect of 52,164,448 of these shares. An amount of R31,298,668.80 was therefore applied in terms of the Subscription. Accordingly, 803,729 new fully paid Western Areas ordinary shares of R1 each have been allotted in terms of the Capitalisation Award and the Subscription and the issued share capital of Western Areas has been increased to 91,615,113 ordinary shares.

The listing of 803,729 new ordinary shares in Western Areas will commence on the JSE from the commencement of business on Wednesday, 14 August 1996.

The offer by JCI Limited to acquire the new ordinary shares in Western Areas was accepted by shareholders in respect of 42,624 shares.

Cheques in respect of the final dividend and shares sold for the benefit of shareholders, as well as share certificates, will be posted to shareholders on Wednesday, 14 August 1996.

Johannesburg
14 August 1996

MONTEDISON

BULLETIN

Montedison provides information to the public regarding changes to the Company's ownership of which it has had notice and which are significant within the meaning of Art. 1/5 bis of Law 216 of June 7, 1974 and the Treasury Ministry Decree of February 10, 1994, published in Italian Official Gazette No. 35 of February 12, 1994.

Stockholder	Total ordinary shareholding advised	% of voting capital
Compart Spa (formerly Ferruzzi Finanziaria)	1,300,292,014	33.01
held directly	1,167,833,516	29.65
held via subsidiaries:		
Sole Spa	132,258,498	3.36
La Fondiaria Assicurazioni Spa	130,000	0.00
Milano Assicurazioni Spa	70,000	0.00

Montedison Spa
Registered Office - Foro Buonaparte 31, Milan
Capital stock: Lire 4,675,407,578,000 fully paid
Milan Company Register No. 310653
Tax Code 01174030153

GROUPE PARIBAS

Public tender offer of Groupe Paribas for Compagnie Financière Ottomane

Groupe Paribas announces that following its public offer to purchase the entire share capital and all founder's shares of Compagnie Financière Ottomane S.A., it held 96% of the company's capital and 95% of its founder's shares.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Half hour period ending	Provisional Price for Trading on 14.08.96: Pool purchase price £/MWh	Final Prices by Trading on 17.07.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	13.08	18.34	17.28
0100	9.01	18.34	17.28
0130	[illegible]	13.31	16.25
0200	9.01	15.31	16.25
0230	9.01	15.31	16.25
0300	9.01	15.31	16.25
0330	9.01	15.31	16.25
0400	9.01	15.31	16.25
0430	9.01	15.31	16.25
0500	9.01	15.31	16.25
0530	9.03	11.50	12.44
0600	9.03	11.50	12.44
0630	9.02	11.50	12.44
0700	13.08	16.33	17.17
0730	13.08	16.77	17.76
0800	18.81	18.54	20.01
0830	18.44	21.77	23.97
0900	39.89	34.80	38.21
0930	44.16	38.38	42.95
1000	47.66	48.26	53.80
1030	50.35	51.19	57.26
1100	59.16	52.89	59.29
1130	62.02	55.58	62.56
1200	62.16	71.05	78.33
1230	59.64	66.77	75.39
1300	48.70	62.60	69.07
1330	38.39	41.58	45.69
1400	37.58	36.05	38.36
1430	35.46	25.75	28.67
1500	34.04	26.29	29.12
1530	21.41	26.21	29.33
1600	22.05	29.01	32.85
1630	23.45	53.01	57.83
1700	23.66	64.91	60.03
1730	22.05	50.85	55.00
1800	19.43	44.19	46.85
1830	17.44	19.35	20.75
1900	16.55	17.29	18.32
1930	16.37	17.00	17.90
2000	18.34	16.98	17.90
2030	9.10	16.89	17.83
2100	21.52	9.08	9.06
2130	35.65	29.81	30.75
2200	35.65	29.81	30.75
2230	23.56	29.81	30.75
2300	23.53	29.81	30.75
[illegible]	13.08	22.98	23.90
2400	13.08	22.95	23.90

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. [illegible]

The Top Opportunities Section

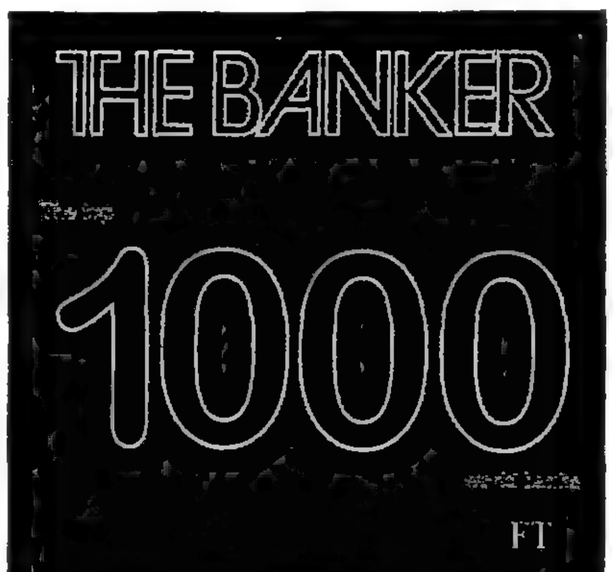
Advertise your senior management positions to Europe's business readership.

For information please contact:

Andrew Skarzynski +44 0171 873 4054

Toby Finden-Crofts +44 0171 873 4027

Will Thomas +44 0171 873 3779



CONTRACTS & TENDERS

ARAB REPUBLIC OF EGYPT
MINISTRY OF TRANSPORTATION
CIVIL AVIATION AUTHORITY
INVITATION FOR PREQUALIFICATION (P.Q)

- THE EGYPTIAN CIVIL AVIATION AUTHORITY INTENDS TO EXECUTE A NEW AIRPORT IN MARSA ALAM - RED SEA GOVERNORATE WHICH WILL BE EVENTUALLY MANAGED BY PRIVATE SECTOR.
- ACCORDINGLY, THE EGYPTIAN CIVIL AVIATION AUTHORITY INVITES SPECIALIZED INTERNATIONAL CONSULTING OFFICES TO SUBMIT THEIR PREQUALIFICATIONS IN THE FIELD OF CONSTRUCTION AND MANAGEMENT OF CIVIL AIRPORTS.
- THE SCOPE OF SERVICES TO BE RENDERED BY THE SELECTED CONSULTING FIRM SHOULD COVER BUT NOT LIMITED TO THE FOLLOWING :-

1- FEASIBILITY STUDY
2- AIRPORT SITE SELECTION
3- TENDERING, FINANCING, DESIGN, SUPERVISION OF EXECUTION, COMMISSION AND OPERATION OF THE AIRPORT.
4- DETERMINATION OF THE PROCEDURE AND THE DATE OF THE HANDING OVER OF THE AIRPORT TO THE ECAA.

- DEADLINE FOR THE SUBMISSION OF P-Q IS: 30/10/96
- ADDRESS OF ECAA
31, 26 JULY ST., CAIRO, A.R.E.
ATTN. GENERAL MANAGER OF FOREIGN CONTRACTS, LOCAL PURCHASES AND STORAGES.

PERSONAL

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COMPANIES AND FINANCE: UK

Facia creditors told of 'significant' intergroup deals

By Clay Harris and William Lewis

The collapse of Facia resulted from concerns about "significant" transactions between the retail group and companies owned privately by its chairman, Mr Stephen Hinchliffe, creditors were told yesterday.

Mr Tony Thompson of KPMG, joint administrative receiver for Facia and several of its subsidiaries, told creditors: "Although the companies were not legally connected except by their ultimate shareholder, significant intergroup balances built up between the Facia companies and the companies owning the Hinchliffe businesses."

In his report to a meeting attended by about 70 representatives of creditors, Mr Thompson said it was concern about these intergroup balances which led Sears, the retailer, to begin the process which led to all 850 stores owned by Facia or Mr Hinchliffe entering insolvency proceedings.

The Serious Fraud Office is investigating the transfer of at least £10m ($15.6m) from the Facia group. With South Yorkshire police, the SFO last week raided five premises. Mr Thompson said he was assisting the SFO investigation.

Mr Thompson told creditors that the main assets of Facia Ltd, the group company, are debts due from companies owned by Mr Hinchliffe which are not the subject of insolvency proceedings. "We are currently pursuing these debtors," Mr Thompson said in his report to creditors. He added that disposal of Facia's company cars had been "complicated by the difficulties in proving ownership as a result of conflicting data in the companies' records".

In addition to the Facia holding company, yesterday's meeting also related to companies which had owned Sock Shop, Red or Dead, Oakland Menswear, Contessa, Torq and Salisburys, whose administrative receiver is Mr Maurice Withall of Grant Thornton. KPMG closed Torq, a costume jewellery retailer, after an agreed sale collapsed, but most of the other businesses have been successfully sold.

Mr Thompson said all parts of the Facia group – which accounted for 450 shops with estimated annualised turnover of £150m – were incurring trading losses before its collapse in June.

Mr Thompson said the group surplus available after payment of all creditors could range from £700,000 to £5.6m, although some companies might show no surplus. The group faced gross claims of about £50m, Mr Thompson said.

French purchase buoys Persona

By Christopher Price

The takeover of a French computer and network distribution group and continued strong demand in the UK helped Persona, the specialist PC products distributor, double pre-tax profits in the first six months of the year.

Pre-tax profits rose from £1.35m to £2.71m ($4.2m), including the exceptional £441,000 costs associated with the £20m purchase in January of Paris-based Top Log. Profits before exceptionals increased to £3.15m on turnover of £65.2m (£24.8m).

Persona said its strong position in the UK and France provided a springboard for further expansion in Europe.

Mr Wayne Channon, chairman, said the company was particularly keen to break into the Dutch market and to enhance its positions in Germany and Spain.

The UK, where sales rose by 54 per cent to £38.2m including the contribution from Top Log, accounted for just over half of group turnover at 56 per cent. Top Log contributed £31m to sales.

In France, the merger had enabled Persona to sign supply agreements with 3Com, Bay Networks, Compaq, Microsoft and Netscape.

Wayne Channon: plans further expansion in Europe

Flextech and BSkyB compete to woo BBC

By Raymond Snoddy

Both British Sky Broadcasting and Flextech are competing for the "hand" of the BBC because of the pressing need for high quality programmes for new digital satellite services.

The BBC is talking to BSkyB, the satellite television company, about the possibility of a digital television joint venture, while at the same time negotiating with Flextech, the cable and satellite channel provider. The BBC hopes to play both suitors off against each other to get the best deal.

Flextech, which is controlled by TCI of Denver, one of the world's largest media groups, confirmed yesterday it was in "preliminary discussions with the BBC concerning a possible joint venture". Talks over the launch of at least six satellite channels drawing on the BBC's extensive programme library have been going on for four months.

Flextech has, it is believed, reserved four transponders on a digital satellite due for launch in November 1997, and the BBC has an option on a single transponder. Each digital transponder, which takes the signal from earth and rebroadcasts it to viewers, can transmit at least eight channels of television.

BSkyB has leased a total of 14 digital transponders and plans to launch more than 200 digital channels before the end of 1997.

Flextech, which has interests in or manages 13 cable and satellite channels and has plans to expand, also confirmed that it is in discussions with Pearson and Cox Communications of Atlanta about acquiring their stakes in UK Gold and UK Living.

Alliance Res to merge with Latex

Alliance Resources, the US-based oil and gas company, yesterday announced a merger with Latex Resources, a US rival, and the settlement of a legal action against its former chief executive, writes Geoff Dyer.

The group, which last year disclosed an exceptional charge of £10.5m ($16.4m) related to the alleged misrepresentation of oil and gas reserves, had accused Mr John O'Brien of fraud. The group refused to reveal details of the settlement.

The Serious Fraud Office is conducting an inquiry into the events at Alliance, which left the group with only $5m of oil and gas assets.

Mr Brian Williams, finance director, said that the merger with Oklahoma-based Latex was "a good way of kick-starting the company" after the problems of last year. Latex has oil and gas producing properties in 14 states in the US.

Latex shareholders will receive shares in Alliance equivalent to 72 per cent of the equity of the enlarged group. Prior to the merger, there will be a 40 to one consolidation of Alliance shares.

The enlarged group is to maintain Alliance's London listing and drop Latex's listing on Nasdaq.

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Deactivating Hanford military complex will bring in performance-based agreements for the contractors

Lean and clean

Caspar Henderson on winding down Hanford complex

The land either side of the mighty Columbia river, once among the greatest salmon rivers of the world, seems pristine – clear open scrub and desert.

But as the river swings through north-east Washington State in the Pacific Northwest of the US, it passes through one of the world's largest military industrial complexes.

The Hanford Site, nearly 500 sq miles, comprises a plutonium production complex and an energy and weapons research facility administered by the US Department of Energy since 1943.

Now, in what is probably the biggest environmental clean-up project in the world, Hanford is to be returned to silence and desert. Its deactivation will be part of a 75-100 year programme to wind down much of the US nuclear weapons capability.

Estimates of the total costs run from $230bn (£147bn) to more than $500bn – compared with the $375bn in current dollars it cost to research, build and test the arsenal in the first place. Hanford's share, currently running at $1.4bn a year, could easily exceed $50bn in total.

Apart from the federal deficit, the cost of the work to which the DOE is committed is the US government's biggest single liability. And, in an ever leaner budgetary climate (Hanford's share may be reduced to $1.05bn in fiscal 1998 and held at that level for 40 years) the DOE has been obliged to adopt more rigorous standards than ever before.

A new system of contracting is promised in order to bring the best in private-sector incentives to one of humanity's biggest environmental challenges.

In the early days of weapons construction, when risks and costs were unknown and constantly changing, contracts were awarded on a cost-plus or cost-reimbursal basis. Under this system, the DOE reimbursed a contractor for all its expenses in making a product or performing a service, and added a percentage of the total cost for profit. The more a company charged, the greater its profit.

With the end of the cold war, this cozy arrangement was no longer tenable.

For the deactivation and clean-up phase, the DOE is moving to performance-based contracts, which build in penalties and risks for the contractor. Westinghouse Hanford, a leading contractor, agreed to such a contract in 1995 and in March of this year agreed alterations which further tightened risk and reward.

Westinghouse can now earn nearly $20m extra, in addition to the agreed fee, for exceeding specific milestones, but can also lose up to half the initial fee by failing to make what the DOE defines as "excellent progress on separate long-term goals".

The DOE is now extending this principle to the management of the site as a whole. The new Project Hanford Management Contract (PHMC), worth $4.6bn over an initial five-year period and containing options for an additional five years, will be awarded in the next few weeks to one of three consortia led by Bechtel Northwest, Fluor Daniel Hanford and Raytheon Hanford respectively.

The PHMC represents "a fundamental departure from traditional contracting practices," says DOE spokesman Guy Schein.

James Noel of the General Accounting Office (a federal body that monitors expenditure and management) welcomes the change. Those former contractual practices "have been at the heart of the problems they have had," he says.

"It would be hard to overstate how much is riding on the new PHMC. "We have been on this clean-up effort for six years, and we are still not out of the starting block," a Hanford insider told an investigation by Scientific American magazine this spring: "No programme – for tank clean-up, groundwater remediation or anything else – has lasted more than two years. We are not sustaining a long-term vision, and investment in that vision, long enough to make any progress."

The sheer scale of the challenge at Hanford is staggering. There are 177 underground tanks of high-level nuclear waste, , five huge buildings where plutonium was extracted, and 2,100 tonnes of irradiated fuel. All are to be secured and sealed for thousands of years to cool down.

Some tasks will be made doubly difficult by what now seems like extraordinary carelessness in the past. Single-shell tanks for high-level waste were known to be leaking in 1959, but waste was still being put into them in 1980. "It is hard to explain this history in a rational way," says Andrew Caputo of the Natural Resources Defence Council.

Hanford's sternest critics acknowledge that some foundation for progress exists in the Tri Party Agreement or TPA. Signed in 1989 by the State of Washington, the DOE and the federal Environmental Protection Agency, the TPA enabled the three parties to work together in spite of a history of deep mistrust.

The TPA listed specific activities and deadlines in deactivation and clean-up, and the DOE can be fined for missing them. As such, it was hailed as a milestone. But, says Caputo, the DOE, its contractors and the state eventually realised that the set schedule was "wildly unrealistic".

Performance-based contracting is intended to overcome such shortcomings and to encourage pragmatism, efficiency and innovation, while keeping strategic goals in sight.

Many observers say it is too early to judge its potential. But one former DOE official says there are basic flaws in the approach: "I have no confidence that the DOE can get all the detailed knowledge they need to make it work. They will have to rely on the contractors to do the assessments [of the precise nature of the problems to be addressed under a contract]."

Rooting out contamination

As natural extractors, plants could offer an affordable way to clean up soil, writes **Tom Mead**

A relatively cheap and effective way to clean up land contaminated by toxic heavy metals may be right at the feet of all the government agencies, municipalities and industries searching for a solution to a serious environmental problem.

The challenge of removing heavy metals, such as cadmium and mercury, from soil could be helped by use of genetically optimised plants – solar-driven factories dedicated to extracting raw materials from the ground.

When using conventional methods, such as soil-processing, the cost of cleaning US sites poisoned by heavy metals may be as high as $7bn (£4.4bn). Remediation of US sites where heavy metals are combined with organic contaminants, such as solvents, has been estimated at costing another $35bn.

Little wonder, then, that the possibility of using vastly cheaper recruits from the plant kingdom is attracting interest from industry, government and scientists.

All plants extract nutrients from the environment, including the soil and water. Some of them extract additional elements – including cadmium, chromium, silver, gold, zinc or mercury – from the soil although they do not appear to need them.

The extractive technique is known as phyto-remediation. The field is growing rapidly because of recent advances in technology, protein chemistry, and plant molecular biology. The advances are allowing scientists to expand their understanding and implementation of the biochemical mechanisms used by plants to detoxify substances.

"This is a technology that is up to the task," says Rich Meagher, a molecular biologist, "and I think the time is here that we can do it." Meagher is using plant genetic engineering at the University of Georgia to address the problem of extracting mercury from soil.

Meagher's work exploits the characteristics of genes found in microbes that live in soil. These genes enable the bacteria to live in environments that are too toxic to support most living things.

The bacteria also use the gene to process some heavy metals, but plants have more energy for metals processing than the microbes. "The natural clean-up rate," says Meagher, "tends to be many thousands of years for one of these sites because the bacteria are so slow at it. We want to increase that maybe 100-fold, but not more."

By relocating the particular microbial genes into receptive host plants, and growing the plants in metal-contaminated media, Meagher's team is producing plants that extract the mercury from the soil, break down the poison biochemically and release it into the atmosphere in a non-toxic form and lower concentrations. "There would be no measurable increase in the atmospheric levels if plants were used to clean every site in the US over the next 20 years," he says.

> **'There would be no measurable increase in the atmospheric levels if plants were used to clean every site in the US over the next 20 years'**

The Meagher team has succeeded in getting a microbial gene known as merA to work in a laboratory plant, Arabidopsis thaliana, a member of the cabbage family. The 12in tall plant was chosen because six or seven generations can be grown, tested and analysed in a year.

"The results were astounding – far better than we expected," Meagher says. "The amount of mercury that my plants converted in the laboratory was 10 nanograms per milligram of plant tissue per minute by weight of the plant tissue. That may not sound like much, but remember, that's per plant, per minute. It may be less efficient in the field, but the power is there to do something remarkable."

Future transgenic trees and grasses could be selected for success in a specific type of climate or soil and could be engineered to prefer one or another heavy metal. Because these plants would be genetically tailor-made for a particular job, they would generate a minimum of collateral damage in the remediation of specific hazardous sites.

Meagher says that if the tests and experiments go as well as he expects, the use of such plants could have a big environmental impact on any site contaminated with mercury and, possibly, other metals.

There are some obstacles to be surmounted, however. Federal agencies, including the US Environmental Protection Agency, are jittery about genetically engineered species. It is not yet clear whether the genetically engineered plants will be allowed to grow in open fields in the US. But some other governments, such as the UK, are looking more closely at the plant solution and are allowing preliminary field-tests.

Also, many sites where metals have poisoned the soil will not support ordinary indigenous vegetation – leading to rapid erosion, with water leaching out the metals and spreading the toxins. One solution is to grow naturally metal-resistant plants on the site to hold the soil.

The ultimate focus of the Georgia team's work will be getting the transgenic properties working in trees and grasses. "Meeting that goal, says Meagher, "may take two tries, but I don't think it will take 10."

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GLASGOW

INTERNATIONAL CAPITAL MARKETS

Inflation figures hit US Treasuries

By Lisa Bransten in New York and Samer Iskandar in London

The release of unexpectedly strong figures on inflation for July sent US Treasuries lower in early trading yesterday, although prices remained well within the range they have held since the emergence of weak economic figures earlier this month.

Near midday, the benchmark 30-year Treasury was down 9/16 at 100 7/32 to yield 6.728 per cent, the two-year note was 1/16 lower at 100 5/16, yielding 5.923 per cent, and the September 30-year bond future had slipped 11/32 to 111 11/32.

The Consumer Price Index advanced 0.3 per cent last month both overall and at the core level, which excludes the volatile food and energy components.

Economists had forecast advances of 0.2 per cent overall and 0.1 per cent at the core level. A 0.1 per cent increase in retail sales last month was also negative for the market. Economists had predicted a modest drop.

Traders said they did not expect the data to spur the Federal Reserve to raise interest rates at next week's meeting of its Open Market Committee, but that it raised questions about the course of monetary policy until the end of the year.

Worries about inflation sent bonds to the mid-point of their range so far this month. On August 2, the long bond yield fell to 6.73 per cent on the heels of surprising weakness in the July employment report which led most of Wall Street to discount the possibility of a rate increase this month.

Mr John Spinello, a government securities strategist at Merrill Lynch, attributed yesterday's activity to a modest loss of confidence but said that he did not see any panic.

GOVERNMENT BONDS

"I think the market reached valuation levels that required more positive news to bring in more buying and it didn't get that," he said.

Mr Joseph Liro of CIBC Wood Gundy said one month of increase does not make a trend but added that while the figures may be "straws in the wind ... we believe that straws are beginning to accumulate, which means that the market's complacency with respect to inflation is misplaced".

■ European bond markets, which had opened on a positive note, lost most of their gains in the wake of weaker US Treasuries. After falling by more than 0.5 from the day's high of 98.02, Liffe's September bund future recovered slightly in late trading to close at 97.86, up 0.10 from Monday. In the cash market, the 10-year yield spread of Treasuries over bunds widened by 6 basis points to 36.

■ French interest rates remained under pressure from a weak franc, which approached the FFr3.43 barrier against the D-Mark despite intervention from the Banque de France on the foreign exchange market.

Although Matif's September notional future, closing at 123.42, limited its losses to 0.02, the September Pibor contract fell 0.08 to 95.66. In the cash market, 10-year OATs underperformed bunds, the 10-year yield spread widening by 2 basis points to 8 points.

An auction of between FFr13bn and FFr15bn of two-year and five-year notes will be closely watched today as a gauge of the market's mood, with non-resident investors largely expected to stay on the sidelines.

■ The Italian and Spanish markets closed barely changed, slightly underperforming bunds. Their 10-year yield spreads over the German market widened by 2 basis points to 326 and 267 points respectively. Market uncertainty and the weakness of the peseta prevented the Bank of Spain from easing its repo rate, currently at 7¼ per cent.

Bank move suggests date for gilt strips

By Samer Iskandar

Coupons due after June 6 next year on strippable UK government bonds will be paid gross, the Bank of England announced yesterday – leading traders to speculate that June 7 could be the starting date of the long awaited new market in gilt strips.

Separate trading of registered interest and principal, or strips, has been planned as part of an ongoing reform of the gilt market and was expected to start in the second quarter of 1997.

In a related move, the Bank announced an offer to holders of 13½ per cent Treasury stock due 2004–08 to convert into a strippable issue of 8½ per cent gilts due 2005. Details of the conversion will be announced on August 27, with the actual transaction taking place on September 26.

The conversion offer aims to replace existing illiquid gilts by a limited number of larger, more liquid issues, because stripping reduces the number of bonds in circulation and can impair liquidity. Most future issues of gilts are expected to be strippable.

Bond market professionals said this could be the first of several conversion offers. Most double-dated gilts are currently illiquid, as well as bonds with high coupons which trade at large premiums to their par values.

"The Bank is likely to offer to convert most double-dated and high coupon stocks", said Mr Andrew Roberts, analyst at UBS. There are five outstanding gilts that will be strippable, with coupons ranging from 7¼ to 8 per cent and maturities between 2000 and 2021.

ABSA Bank and MOL achieve finest terms yet

By Antonia Sharpe

A $200m one-year loan for South Africa's ABSA Bank and a $100m two-tranche facility for MOL, Hungary's oil and gas company, are keeping the syndicated loans market ticking over during the traditionally quiet month of August.

SYNDICATED LOANS

Both transactions set ever finer terms for the borrowers, reflecting the continued competition among banks to lend to emerging market credits.

The margin on ABSA's loan, originally underwritten by Credit Suisse and then sub-underwritten by Bank of Tokyo/Mitsubishi, Citibank, ING Barings, Midland and NatWest, has been set at 27½ basis points over Libor, plus participation fees ranging from three to five basis points.

The loan, representing new money for the borrower, was launched into general syndication earlier this week and the process is expected to take two weeks. It is scheduled to be drawn on September 16.

Bankers involved in the transaction said the low weighting of the loan was likely to attract participations from banks, particularly those with larger one-year lines available to South African borrowers.

The facility for MOL, arranged by ABN-Amro Bank and Bankers Trust, is divided into two equal tranches, one with a six-year maturity and the other with a seven-year maturity, the longest achieved by a Hungarian corporate borrower in the international syndicated loans market without multilateral agency support.

The six-year tranche carries a margin of 95 basis points over Libor while the seven-year tranche pays 115 basis points over Libor. The loan was launched into general syndication last week and bankers involved in the transaction said the response from the market so far had been positive.

The proceeds will be used to finance the upgrading of the information system for MOL's Duna refinery and for general corporate purposes. Signing is slated for early next month.

Bankers expect the market to remain quiet for the rest of the month but forecast a busy September as banks' syndicate mandates won before the summer break. Loans linked to the telecom and media sectors as well as acquisition and project financings are likely to emerge.

Credit Suisse will be arranging the financing for Newsquest's £305m acquisition of Westminster Press from Pearson, the information, publishing and entertainment group that owns the Financial Times.

Earlier this year, Credit Suisse arranged a £95m senior debt facility for Newsquest to fund the acquisition of the regional newspaper business of Reed Elsevier, the Anglo-Dutch publishing group. Bankers expect that facility, which carried an initial margin over Libor of 2 percentage points, to be rolled into the new package.

Next month is also likely to see the syndication of a £130m loan, underwritten by BZW, to help fund Ascot Holdings' agreed £276m acquisition of Suter. The offer closes on Friday.

Dollar benchmark issue from BGB

By Richard Lapper

An inaugural dollar benchmark issue by a German investment bank formed only two years ago and a Turkish D-Mark denominated deal sold to European retail investors were the highlights of issuance in the euromarkets.

INTERNATIONAL BONDS

Bank Gesellschaft Berlin raised $500m though its Dublin financing vehicle BGB Finance Ireland, in a five-year issue jointly led by Morgan Stanley and UBS. The bonds were priced to yield 22 basis points over five-year US Treasuries and were quoted at that level after they were freed to trade.

BGB, which raised the funds under a $5bn euro medium–term note (EMTN) programme, swapped the proceeds into floating-rate dollars to generate funding at a sub-Libor rate.

After raising funds on the euromarket in Luxembourg francs last week, it is also planning to raise a DM750m to DM1bn benchmark issue and has appointed CSFB and J. P. Morgan as joint bookrunners. Maturity and timing have yet to be decided.

Dealers said yesterday's issue had been bought by institutional and retail accounts in both Europe and Asia. European institutional investors which had been late to spot the rally in the Treasury market saw the extra yield offered by the BGB bonds as a compensation.

A DM500m issue by the Republic of Turkey, its second D-Mark issue of the year, will be sold largely to retail investors. Launched at a spread of 304 basis points the bonds narrowed to 290 basis over the equivalent German government bond by late afternoon.

In Frankfurt, syndicate managers at Commerzbank said individual investors were unconcerned by recent political instability in Turkey and found the bond's 8 per cent coupon attractive.

The spread on the DM-denominated eurobond Turkey issued in January has contracted since its launch and was yesterday quoted at 265 basis points over.

News earlier this week that Mexico is planning a DM1bn issue has also highlighted the interest of German retail investors in higher-yielding paper.

Retail investors in Europe and Asia are also being targeted by Hambros, which brought a A$100m issue for Australian Industry Development Corporation following one of the same size and maturity by Bayerische Vereinsbank last week.

Hambros said the five-year sector was becoming more popular than shorter-dated paper, following recent reductions in interest rates in Australia, the rally in international bond markets and steepening in the Australian yield curve.

It said lower non-dollar interest rates and the increasing attractions of Australia relative to Canada, another high-yielding dollar market, help explain a rise in Australian dollar eurobond issuance to A$4.86bn so far this year from A$2.55bn in the same period of 1995.

New international bond issues

Borrower	Amount m	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
BGB Finance Ireland	500	6.50	99.866R	Sep 2001	0.25R	+22(6¾%-01)	Morgan Stanley/UBS
■ D-MARKS							
Republic of Turkey	500	8.00	99.85R	Sep 2000	0.80R	+304(6¼%-00)	Commerzbank
■ SWISS FRANCS							
De NIB (a,s)	100	3.25	101.50	Dec 1999	1.50	-	Credit Suisse
■ AUSTRALIAN DOLLARS							
Australian Industry Dev Corp	100	7.50	100.78	Sep 2001	2.00	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with SFr350m. Plus 214 days accrued. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	90.6460	–0.130	8.11	8.11	8.80
Austria		6.250	05/06	96.9800	+0.060	6.29	6.31	6.54
Belgium		7.000	05/06	102.7100	+0.130	6.61	6.63	6.77
Canada *		7.000	12/06	96.1300	–0.210	7.26	7.30	7.72
Denmark		8.000	03/06	106.1000	+0.080	7.23	7.24	7.41
France	BTAN	5.750	03/01	101.1250	+0.020	5.47	5.42	5.62
	OAT	7.250	04/06	106.2500	–0.010	6.36	6.33	6.51
Germany Bund		6.250	04/06	99.7700	+0.100	6.28	6.28	6.54
Ireland		8.000	08/06	103.0000	+0.250	7.56	7.55	7.62
Italy		9.500	02/06	101.0600	+0.040	9.32†	9.17	9.21
Japan	No 140	6.600	06/01	119.4035	–	2.17	2.30	2.29
	No 182	3.000	09/05	98.6965	–	3.19	3.28	3.25
Netherlands		8.500	06/06	115.8200	–0.060	6.26	6.27	6.46
Portugal		11.875	02/05	118.5100	–	8.69	8.63	8.69
Spain		8.800	04/06	99.9400	–0.040	8.94	8.79	8.81
Sweden		6.000	02/05	86.7124	+0.050	8.23	8.18	8.24
UK Gilts		8.000	12/00	103–17	+4/32	7.03	7.02	7.18
		7.500	12/06	98–02	+4/32	7.77	7.76	7.91
		9.000	10/08	108–17	+4/32	7.89	7.87	8.02
US Treasury *		7.000	07/06	103–14	–8/32	6.48	6.49	6.79
		6.750	08/26	100–08	–12/32	6.73	6.76	6.93
ECU (French Govt)		7.500	04/05	104.3700	–	6.81	6.76	6.92

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.94
Prime rate	8¼	Two month	-	Three year	6.12
Broker loan rate	7	Three month	5.18	Five year	6.28
Fed.funds	5¼	Six month	5.32	10-year	6.53
Fed.funds at intervention	-	One year	5.59	30-year	6.73

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	123.42	123.42	–0.02	123.58	123.30	66,777	168,316
Dec	122.12	122.16	–	122.26	122.08	3,091	37,950
Mar	121.94	122.00	+0.02	122.08	121.94	1,423	6,466

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Dec
120	-	-	-	-	0.17	0.50
121	-	-	-	0.03	0.32	0.75
122	1.51	0.76	1.26	0.07	0.64	1.13
123	0.64	0.34	0.78	0.23	-	-
124	0.14	0.12	0.12	0.86	-	-

Est. vol. total, Calls 2,872 Puts 8,335. Previous day's open int., Calls 134,846 Puts 148,675.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.79	97.86	+0.10	98.02	97.73	130911	240122
Dec	96.96	96.99	+0.10	97.13	96.96	2573	15562

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9750	0.49	0.38	0.59	0.77	0.13	0.89	1.10	1.26
9800	0.19	0.22	0.41	0.56	0.33	1.23	1.42	1.59
9850	0.05	0.12	0.28	0.43	0.69	1.63	1.79	1.94

Est. vol. total, Calls 9346 Puts 7822. Previous day's open int., Calls 168296 Puts 165047

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115.95	115.93	+0.05	116.28	115.75	32195	61792
Dec	115.54	115.16	+0.02	115.54	115.20	191	6214

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
11550	0.65	1.59	0.32	1.93
11600	0.36	1.37	0.55	2.21
11650	0.20	1.16	0.87	2.50

Est. vol. total, Calls 1364 Puts 2651. Previous day's open int., Calls 84859 Puts 102065

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	100.43	100.19	–0.02	100.69	100.15	51,705	48,074
Dec	100.14	99.70	+0.15	100.14	99.65	357	606

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	107-31	108-02	+0-04	108-12	107-30	43792	161364
Dec	107-10	107-10	+0-04	107-13	107-10	189	1414

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
108	0-28	0-38	0-57	1-09	0-24	1-16	1-37	1-33
109	0-08	0-17	0-34	0-48	1-04	1-61	2-14	2-28
110	0-02	0-07	0-19	0-31	1-62	2-51	2-63	3-11

Est. vol. total, Calls 3835 Puts 948. Previous day's open int., Calls 33909 Puts 28580

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	91.92	91.88	-	92.00	91.84	1,414	8,458
Dec	90.12	90.08	-	90.12	90.12	300	667

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	112–02	111–13	–0–21	112–16	111–13	152,322	455,896
Dec	111–19	110–28	–0–22	111–26	110–28	2,721	29,151
Mar	110–21	110–20	–0–16	110–21	110–15	36	4,295

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	120.19	-	-	120.31	120.18	4648	n/a
Dec	118.91	-	-	119.00	118.90	2679	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Aug 13	Day's change %	Mon Aug 12	Accrued interest	xd adj. ytd		Low coupon yield Aug 13	Aug 12	Yr. ago	Medium coupon yield Aug 13	Aug 12	Yr. ago	High coupon yield Aug 13	Aug 12	Yr. ago
1 Up to 5 years (22)	122.23	0.07	122.14	2.62	5.84	5 yrs	7.17	7.19	8.52	7.23	7.26	8.66	7.31	7.33	8.78
2 5-15 years (20)	148.42	0.13	148.23	2.95	8.39	15 yrs	8.00	8.02	8.59	8.01	8.02	8.73	8.08	8.10	8.96
3 Over 15 years (8)	163.05	0.14	162.82	3.26	7.40	20 yrs	8.09	8.11	8.56	8.09	8.11	8.79	8.14	8.16	8.82
4 Irredeemables (6)	186.97	0.48	186.08	2.97	7.36	Irred.†	8.12	8.16	8.66						
5 All stocks (56)	143.16	0.11	143.00	2.92	6.42										

Index-linked							Inflation 5% Aug 13	Aug 12	Yr. ago	Inflation 10% Aug 13	Aug 12	Yr. ago
6 Up to 5 years (1)	199.55	0.01	199.54	2.66	4.43	Up to 5 yrs	2.65	2.54	3.92	1.03	1.02	2.92
7 Over 5 years (11)	189.62	0.16	189.31	1.14	3.11	Over 5 yrs	3.71	3.72	3.85	3.61	3.62	3.69
8 All stocks (12)	189.71	0.16	189.41	1.17	3.13							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 13	Aug 12	Aug 9	Aug 8	Aug 7	Yr ago	High*	Low*
Govt. Secs. (UK)	93.66	93.46	93.18	93.24	93.50	92.56	96.34	91.59
Fixed Interest	113.59	113.69	113.29	113.22	113.22	112.24	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 12	Aug 9	Aug 8	Aug 7	Aug 6
Gilt Edged bargains	67.9	78.0	73.4	77.0	80.2
5-day average	75.3	78.5	78.6	81.1	82.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 13

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98⅛	98⅝	-⅛	6.80
ABN Amro Bank 7¼ 05	1000	101⅛	101⅝	-⅛	7.20
Sweden 8 97	2500	106	105⅛		3.74
United Kingdom 7¼ 97	5500	104	104⅛		3.88
Volkswagen Intl Fin 7 03	1000	103⅞	104⅛	-⅛	6.28
Abbey Natl Treasury 8 03 £	1000	101	101¼	+⅛	7.79
British Land 8⅞ 23 £	150	91½	91⅞		10.01
Denmark 6⅛ 98 £	800	100¼	100½		6.61
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts (Lives up to Five Years)							
Treas 2pc 1996		0.91	5.70	220⅜	+⅛	220⅜	212⅜
Conversion 10pc 1996		9.91	5.78	100⅞	—	104⅛	100⅞
Treas 13¼pc 1997‡‡		12.84	5.71	103⅛	—	108⅞	103⅛
Exch 10½pc 1997		10.25	5.67	102⅜xd	—	105⅜	102⅜
Treas Cnv 7pc 1997‡‡		6.92	5.69	101⅛	+⅛	101⅜	99⅛
Treas 8½pc 2005‡‡		8.09	7.71	105⅛	+⅛	108⅜	101⅜
Treas 7½pc 2006‡‡		7.65	7.77	98	+⅛	101⅜	94⅜
Treas 7¾pc 2006‡‡		7.76	7.80	99⅞	+⅛	103¼	96⅛
Treas 8pc 2002-6‡‡		7.90	7.80	101⅛	+⅛	104⅜	97⅞
Treas 11¾pc 2003-7		9.72	7.55	120⅜	+⅛	125⅛	118⅜
Index-Linked	(b)						
4⅜pc '98‡‡	(135.6)	1.04	2.53	113⅜	—	113⅞	111⅛
2½pc '01	(78.3)	2.88	3.39	182⅜	+⅛	182⅜	174⅜
2½pc '03	(78.8)	3.15	3.54	177⅜	+⅛	177⅜	170⅜
4⅜pc '04‡‡	(135.6)	3.21	3.57	116⅛	+⅛	116⅜	112⅜
2pc '06	(69.5)	3.39	3.60	186⅛	+⅛	186⅛	179
[illegible]							

Other Fixed Interest

[illegible]

* "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real redemption rates are calculated by HBSC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

MARKETS REPORT

Franc concerns trouble summer markets

By Richard Adams

Continued concerns over the future of the French franc punctuated an otherwise quiet day on the markets yesterday, with little movement in the major currencies thought likely this week.

The summer holiday season in much of Europe, and expectations of possible interest rate changes next week in the US and Germany, meant few highlights. But analysts detected domestic selling of the franc, for technical and political reasons. The South Korean won fell to a six-year low against the dollar.

The D-Mark was almost static, following comments by the Bundesbank in its monthly report released today that held out the prospect for another cut in its main money market rate, the repo rate. It finished the day in London at DM1.4767 against the dollar, from DM1.4753 at Monday's close, while against the pound it was DM2.2904, from DM2.2895.

The Swedish kroner fell to SKr2.223 against the D-Mark, from SKr2.216, after its central bank cut its central interest rate, the repo rate, by 15 basis points to 5.40 per cent.

The French franc fell against the dollar, from FFr5.0485 on Monday's close to FFr5.0590 yesterday, but closed slightly up against the D-Mark at FFr2.918.

The dollar was docile against major currencies, at Y107.620 from Y107.575.

The South Korean won ended at Won816.50 against the dollar, from Won814.70.

■ Pound in New York

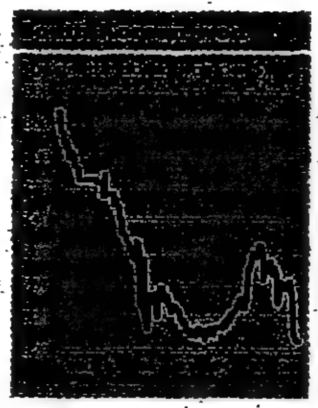
Aug 13	—Latest—	—Prev. close—
£ spot	1.5495	1.5510
1 mth	[illegible]	1.5505
3 mth	1.5482	1.5497
1 yr	1.5471	1.5478

■ In its monthly report released yesterday, the Bundesbank reported that it would continue to monitor M3 money supply to assess the scope for lower rates.

The bank wrote: "The Bundesbank will carefully observe the developments of M3 in the next months to determine whether it and monetary policy conditions present room for lower money market rates."

Growth in M3, the broad money supply measure that consists of cash in circulation and short-term deposits, has been strong, and has outpaced the bank's 4-7 per cent corridor for several months. But the bank now expects a slowdown in M3 growth to continue. "Money supply growth should continue to approach the growth corridor in the coming months," it said.

■ Despite the quietness of the day's trading, many analysts had long-standing concerns over the future of the franc. Mr Michael Burke, senior economist at Citibank in London, described the situation as "the calm before further pressure," with the market looking beyond the key DM3.4305 level – the old ceiling of the franc's ERM narrow band in 1993 – to reach DM3.50 very quickly, a level Mr Burke said would be "a tough nut to crack".



Other analysts put the franc's weakness down to a combination of technical reasons and continued uncertainty over the French government's ability to deliver a budget deficit under the Maastricht treaty's 3 per cent criteria. "They've got to do something no one believes they can do," one said.

One specialist said that the franc's movement lately had been from domestic sellers: "The fear has got to be that they know something we don't," he said.

■ Like France, South Korea suffers from some insecure fundamentals, albeit compared to other Asian economies, leading to yesterday's fall to a six-year low in intraday trading. Its July trade and current account deficit trebled from the previous year to reach $2.7bn, while its July exports were down by 3 per cent, the first time for three years.

South Korea's powerful export sector lobby has been agitating for a more competitive exchange rate for some time, and its demands may have been met by the appointment of a new finance minister last week. Mr David Simmonds, emerging markets economist at Citibank in London, said yesterday's sharp fall came after the government gave up trying to defend the dollar rate at Won815. "This pressure has not emerged all of a sudden, the economic fundamentals have been running this way for some months," he said.

■ OTHER CURRENCIES

Aug 13	£	$
Czech Kr	41.2254 - 41.2759	[illegible]
Hungary	232.826 - 233.020	150.150 - 150.200
Iran	4654.30 - 4652.10	3000.00 - 3000.00
Kuwait	0.4628 - 0.4646	0.2991 - 0.2996
Poland	4.2202 - 4.2302	2.7210 - 2.7226
Russia	8101.85 - 8210.01	5289.00 - 5292.00
U.A.E.	5.6953 - 5.6986	3.6727 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.48	95.48	-	95.49	95.44	1120	[illegible]
Dec	95.48	95.49	-	95.50	95.47	636	5975
Mar	95.42	[illegible]	+0.02	95.43	95.38	840	3141
Jun	95.26	95.26	+0.01	95.26	95.22	102	2858

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

■ D-MARK FUTURES (IMM) DM 125,000 per DM

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

■ STERLING FUTURES (IMM) £62,500 per £

UK INTEREST RATES

LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

EMS EUROPEAN CURRENCY UNIT RATES

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

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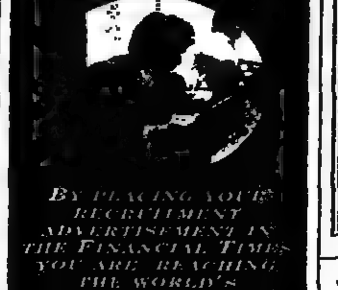

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LEGAL NOTICE

CHAPMANS DRUMS LIMITED

Trade classification: 11

Date of appointment of Joint Administrative Receivers: 2 July 1996

Name of appointor: National Westminster Bank plc

DAVID JOHN SYMES and MICHAEL JOSEPH MOORE

Joint Administrative Receivers

Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET

COMMODITIES AND AGRICULTURE

MARKET REPORT

Copper prices bounce after finding support

COPPER prices bounced on the London Metal Exchange yesterday after an early fall revealed underlying support.

The three months delivery position at one stage fell below $1,920 a tonne, but the selling proved to be half-hearted, and by the end of after hours "kerb" trading the price was back at $1,927, a $4 advance from Monday.

Traders suggested that concern about possible cuts in price-sensitive scrap recycling was likely to discourage any concerted effort to take the copper price below $1,900 a tonne.

ALUMINIUM prices again met good support on dips towards $1,500 a tonne in the three months price, which fostered an impressive mini-rally to the day's highs.

NICKEL prices staged a partial recovery during the latter part of the afternoon, with the three months price deemed oversold below $7,100 a tonne.

Compiled from Reuters

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+1,075	to 923,950
Aluminium alloy	-180	to 86,460
Copper	+5,225	to 251,900
Lead	-50	to 100,725
Nickel	-330	to 34,686
Zinc	+1,350	to 569,475
Tin	+135	to 10,790

India has bumper jute crop

By Kunal Bose in Calcutta

India is harvesting a bumper jute crop. After four lean years, the world's biggest grower of the hard fibre has enjoyed normal to excess rainfall in all producing centres; and with the farmers planting nearly 25 per cent more land to the crop India appears set to produce over 10m bales (180kg each) of raw jute in the 1996-97 (July-June) season, up from 7.8m last year.

"The bumper crop has come as a big relief to the beleaguered jute mill industry, which in the final quarter of last season had to cut back production sharply. . . closing down some factories," said Mr S.K. Bhattacharya, secretary general of the Indian Jute Mills Association. "The industry suffered huge losses as it was not possible to pass on to the consumers of jute goods the additional cost arising from the record raw jute prices."

As arrivals from farms have grown since last month prices of all grades of jute have been falling. The spot price of TD-4, the Indian benchmark grade, is down from over Rs1,700 (US$47.55) a quintal (100lb) to Rs1,100.

"The daily arrival of fibre in the village market is now around 45,000 quintals," said Mr Shankar Ladia, spokesman for the Jute Balers' Association. "This will rise to over 125,000 quintals by the middle of September, which marks the beginning of the busy marketing period for jute. Therefore, the trade is reconciled to the fact that the jute prices will fall even further."

The extent of the fall so far has taken the mills by surprise, however. This is because the growers, while enjoying very high returns in the past two years, have considerably improved their holding capacity.

"Farmers in the early jute growing areas like Assam and north Bengal have no doubt capitulated," said Mr Ladia. "The JBA has reports that in some places the farmers even resorted to premature harvesting to take advantage of the high prices. When the crop is so big, everyone turns into a keen seller."

Besides the certainty of a large crop, reports that the mills will be seeking government permission to work 18 shifts a week, compared with the normal 21, has unnerved the growers. Mr Bhattacharya said that, because of the abnormally high fibre prices last year, "the industry lost market for jute goods both here and abroad to synthetic substitute products. Moreover, the prevailing prices of jute goods are not allowing the mills to recover the cost of production".

The mills are happy with the quality of jute received so far. "But for the retting [soaking] of a crop of over 10m bales, the canals and the ponds must be full till the end of September," said an official at the jute directorate.

"Last year, the production of export quality yarn and fine hessian was affected due to the shortage of high grades of jute. We do not visualise any such problem in the current season."

In spite of the damage caused by floods last month, Bangladesh is also having a bumper jute crop. While the government has fixed a target of 4.7m bales for 1996-97, the trade thinks that the total will be at least 5m, compared with less than 4m last year.

Bangladesh, which hopes to export 1.5m bales of jute in 1996-97, is expecting strong demand from Pakistan, Thailand, Egypt and Ivory Coast. India, which bought 174,497 bales of Bangladeshi jute last season, may not import anything in 1996-97.

NZ wool sector hopes for demand growth

Growers are being urged to hold out for better prices, writes Terry Hall

The New Zealand wool selling season has begun in a lacklustre fashion and the trade is advising farmers to hold on to their wool for a few months, awaiting an expected upturn in prices.

A variety of factors – including high levels of wool remaining unsold from last season – are expected to weigh down prices at auctions over the next three months or so. As a result both the Wool Board (now known as Wools of New Zealand) and the Wool Exporters Council are agreed that this should lead to prices remaining around present modest levels. Prices have fallen marginally at the first two sales of the season.

This is provoking considerable uncertainty in the industry following the unexpectedly poor sales and downward trend in prices last season.

Wool exporters are waiting anxiously for signs that business will pick up after the northern hemisphere holiday season ends next month and mills get back to full production. Wools of New Zealand is pinning its hopes for a price revival on predictions that the expected recovery in economic growth in Germany, Australia and Japan will be translated to a boost for textiles generally.

There are some positive factors for crossbred wool, the bulk of the New Zealand clip, which was developed for use in carpets. One is that nylon fibre producers in the US raised their prices up to 15 per cent last month in response to strong demand for floor coverings in the US, where 60 per cent of carpets are made from the fibre.

The New Zealand trade is watching the price of nylon closely as it could herald a revival in prices for woollen carpets as well. While these have only a 2 per cent market share in America, they remain much more popular in Europe – hence the close watch being kept for signs of an economic revival there.

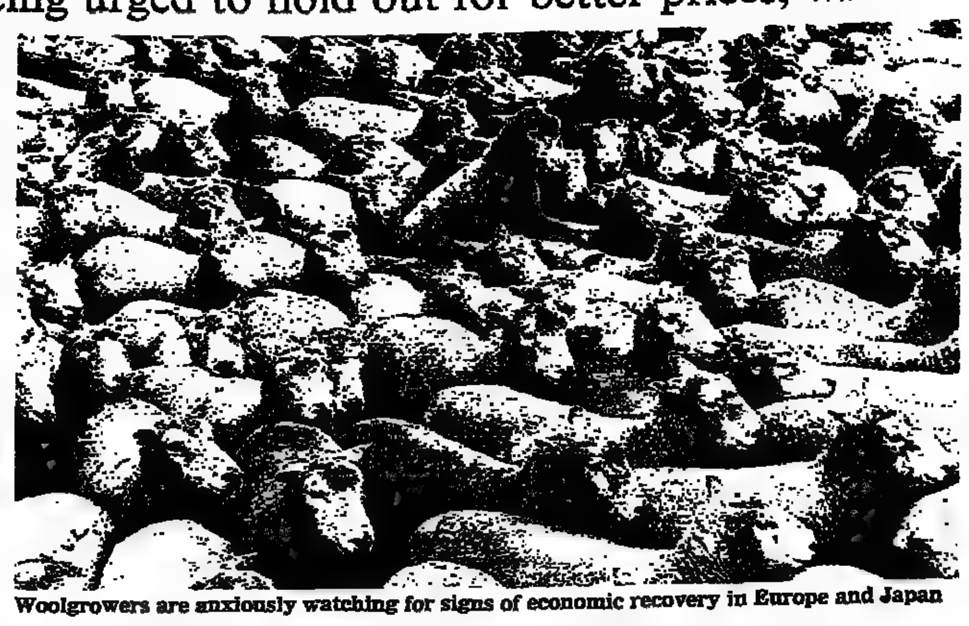
Wools of New Zealand is expecting a gradual improvement in prices as the season progresses. It says that though world wool production is forecast to fall slightly, total supply could be somewhat higher because of high stockpile levels.

Many New Zealand farmers have held back wool for future sale, but the amount is unknown. In addition New Zealand wool brokers are holding nearly 4 per cent of the country's annual production in store. This is not a formidable amount – it could be cleared in two sales – but its continuing presence is dampening sentiment.

Demand from China is expected to remain steady, says Wools of New Zealand, although there is concern about what could happen if the Chinese authorities imposed a tight money policy to keep inflation below their target of 9 per cent. The big question hanging over Chinese buying relates to exports from the former Soviet Union. Over the past two years that area has become a major supplier of wool to China – apparently because its inhabitants have been eating most of their sheep. In recent months FSU exports have fallen dramatically – raising the prospect that China will have to increase its buying from elsewhere, especially of fine wool.

The best news for sheep farmers this season, however, would be confirmation of the expected recovery in the European and Japanese economies and a fall in the value of the New Zealand dollar after the election.

Wools of New Zealand is forecasting that prices will rise for fine wools, especially for superfines, which will be in short supply. Last season's average price for fine wool was NZ$7.87 (US$5.40) a kilogram, and the board says prices could average between NZ$7 and NZ$9 when the season ends next June. It is less optimistic about medium micron wools. Prices for these types fell over the past six months and this trend could continue, it says. Last season's average price for medium wools was NZ$5.51 a kilogram, and the board believes this season's average could be anywhere between NZ$4.75 and NZ$5.25. It expects a slight improvement in crossbred prices, the bulk of the New Zealand clip from last season's average of NZ$4.56 to about NZ$5.



Woolgrowers are anxiously watching for signs of economic recovery in Europe and Japan

Australian producers seek flexible stockpile sales

By Nikki Tait in Sydney

Despite repeated statements by Australia's federal government that it does not want to change the existing legislated timetable for selling off the country's large wool stockpile, the main wool growers' body has called for a more flexible wool release scheme.

At a meeting in Canberra this week, the Wool Council of Australia endorsed a proposal that a minimum of 90,000 bales be sold each quarter, with no maximum specified. The industry body also voted to make January 1, 1997, the target date for starting its proposed programme, and said that it wanted to aim to eradicate the stockpile by end-December, 2000.

The wool growers maintained that their flexible approach would allow heavier selling of the stockpiled wool when prices were relatively high, and meant that reduced supplies would be fed into the market when demand was weak.

At present, Wool International – the body charged with disposing of the stockpile – operates a "fixed release" scheme, which requires it to sell at least 162,000 bales a quarter. This legislated scheme is due to run until mid-1997.

Over the past year, many growers have been critical of this set-up – claiming that the WI sales were simply compounding the downward slide in wool prices.

However, Mr John Anderson, Australia's new federal resources minister, has said on several occasions that his preference is to stay with the existing legislated timetable and that the government's main focus will be on re-establishing Australia's credibility internationally.

Nevertheless, the minister has said that he will be prepared to listen to "well-reasoned arguments" and conceded that it would be possible to amend legislation in the coming parliamentary session.

A ministerial "round table", made up of all interested parties, is scheduled to consider the issue on August 30. Australia accounts for about 30 per cent of world wool production.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1467.5-68	1503.5-04
Previous	1468-69	1504-05
High/low	1468	1514.5/1503
AM Official	1467.5-68	1503.5-04
Kerb close		1514.5-15
Open int.	218,944	
Total daily turnover	31,488	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1260-65	1295-300
Previous	1260-70	1296-301
High/low		1300
AM Official	1260-65	1295-300
Kerb close		1300-05
Open int.	4,889	
Total daily turnover	268	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	833-4	823-4
Previous	839-40	829.5-30
High/low		827/823
AM Official	833-4	823-4
Kerb close		826-7
Open int.	33,048	
Total daily turnover	9,105	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6980-85	7080-85
Previous	7080-90	7185-90
High/low		7170/7080
AM Official	6980-85	1503.5-04
Kerb close		7120-30
Open int.	39,394	
Total daily turnover	13,701	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6075-85	6140-45
Previous	6100-10	6165-70
High/low		6160/6145
AM Official	6075-85	6140-45
Kerb close		6160-65
Open int.	16,565	
Total daily turnover	2,098	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1007.5-08	1034-34.5
Previous	1010-11	1037-38
High/low	1007.5	1037/1032
AM Official	1007.5-08	1034-34.5
Kerb close		1036.5-37
Open int.	67,470	
Total daily turnover	14,253	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1998-2000	1916-18
Previous	2030-35	1925-30
High/low	[illegible]	1930/1912
AM Official	[illegible]	[illegible]
Kerb close	[illegible]	[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ LME AM Official £/$ rate: [illegible]

■ HIGH GRADE COPPER (COMEX) [illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET [illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	387.8	-0.1	387.8	387.8	234	377
Oct	390.4	-0.2	390.8	390.0	595	12,398
Dec	393.2	-0.2	393.7	392.9	15,663	75,441
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX [illegible]

■ PALLADIUM NYMEX [illegible]

■ SILVER COMEX [illegible]

ENERGY

■ CRUDE OIL NYMEX [illegible]

■ CRUDE OIL IPE [illegible]

■ HEATING OIL NYMEX [illegible]

■ GAS OIL IPE [illegible]

■ NATURAL GAS NYMEX [illegible]

■ UNLEADED GASOLINE NYMEX [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	109.50	+0.35	109.75	109.40	54	322
Nov	111.40	+0.15	111.75	111.40	75	3,136
Jan	113.40	+0.25	113.50	113.40	22	1,494
Mar	115.40	+0.40	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT [illegible]

■ MAIZE CBT [illegible]

■ BARLEY LCE [illegible]

■ SOYABEANS CBT [illegible]

■ SOYABEAN OIL CBT [illegible]

■ SOYABEAN MEAL CBT [illegible]

■ POTATOES LCE [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	1252	+6	1270	1250	60	1,422
Jan	1268	+10	1270	1255	88	489
Apr	1275	+12	-	-	-	201
Jul	1130	-	1130	1130	5	19
Total					167	3,876

	Close	Prev
BFI	1088	1082

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1018	-10	1030	1011	1,085	39,989
Dec	1030	-7	1041	1024	1,481	37,064
Mar	1044	-3	1050	1039	724	41,203

■ COCOA CSCE [illegible]

■ COCOA (ICCO) [illegible]

■ COFFEE LCE [illegible]

■ COFFEE 'C' CSCE [illegible]

■ COFFEE (ICO) [illegible]

■ WHITE SUGAR LCE [illegible]

■ SUGAR '11' CSCE [illegible]

■ COTTON NYCE [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	113.25	-2.90	116.30	112.75	1,312	10,250
Nov	108.75	-2.75	111.25	108.50	395	4,208
Jan	108.75	-2.65	111.05	108.55	238	4,414
Mar	110.10	-2.10	111.50	110.00	84	977
May	110.95	-2.00	111.05	111.00	2	258
Jul	111.95	-2.00	-	-	-	188
Total					2,039	20,420

Minor Metals

European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 2,700-2,820 (2,700-2,800). Bismuth: min. 99.99%, tonne lots 3.30-3.70. Cadmium: min. 99.95%, 95-105 cents a pound. Cobalt: MB free market, 99.8%, 19.90-21.70 (19.75-21.50); 99.3%, 18.50-20.20 (17.80-19.00). Mercury: min. 99.99%, $ per 76 lb flask, 162-172. Molybdenum: drummed molybdic oxide, 3.10-3.30. Selenium: min 99.5%, 3.05-4.30. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55. Vanadium: min. 98%, cif, 3.00-3.10 (2.98-3.08). Uranium: Nuexco exchange value, 15.50.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 13	Aug 12	month ago	year ago
1936.0	1932.4	1985.7	2200.4

■ CRB Futures (Base: 1967=100)

Aug 12	Aug 9	month ago	year ago
249.30	248.14	-	-

■ GSCI Spot (Base: 1970=100)

Aug 12	Aug 9	month ago	year ago
201.01	198.29	210.44	176.25

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	67.475	-0.500	68.250	67.450	3,288	9,315
Oct	69.975	-0.025	70.450	69.900	8,358	41,139
Dec	66.975	+0.225	67.275	66.750	2,771	21,042

■ LIVE HOGS CME [illegible]

■ PORK BELLIES CME [illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	[illegible]	+0.30
Brent Blend (dated)	[illegible]	+0.305
Brent Blend (Sep)	[illegible]	+0.255
W.T.I.	[illegible]	+0.195

■ OIL PRODUCTS NWE prompt delivery CIF (tonne) [illegible]

■ NATURAL GAS (Pence/therm)

Bacton (Sep)	13.90-14.30	+0.425

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

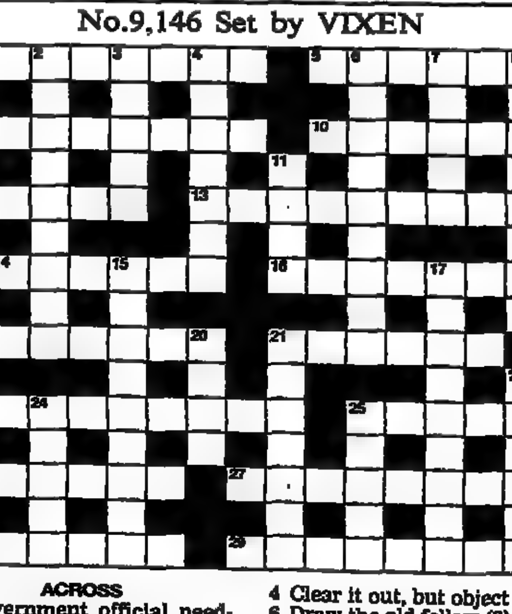
Gold (per troy oz)♣	$387.35	-0.45
Silver (per troy oz)♣	509.00c	-0.50
Platinum (per troy oz.)	$399.50	+1.00
Palladium (per troy oz.)	$129.25	+1.00
Copper	97.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.01r	-0.02
Tin (New York)	288.50	-1.50
Cattle (live weight)	97.19p	+1.16*
Sheep (live weight)	108.17p	+5.66*
Pigs (live weight)†	112.41p	+6.45*
Lon. day sugar (raw)	$304.70	+1.60
Lon. day sugar (wte)	$370.00	+1.70
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$141.5x	
Wheat (US Dark North)	Unq	
Rubber (Jul)♥	88.00p	-1.00
Rubber (Aug)♥	88.00p	-1.00
Rubber (KL RSS No1)	324.00m	+1.00
Coconut Oil (Phil)§	$797.5w	+7.5
Palm Oil (Malay.)§	$480.0	
Copra (Phil)§	$502.0w	+6.0
Soyabeans (US)	218.0	
Cotton Outlook'A' index	77.00c	+1.40
Wooltops (64s Super)	417p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Sep. w Jul/Aug. z Aug/Sep ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,922 head of pigs sold.

JOTTER PAD

CROSSWORD

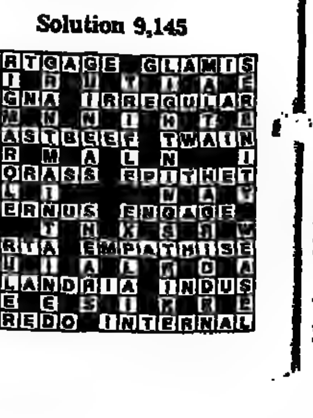
No.9,146 Set by VIXEN



ACROSS
1 Government official needing change to dial PM (8)
5 Suspiciously question a compulsive worker (6)
9 A quiet riverside place would be suitable (8)
10 Colour over the French turn (6)
12 A card rating ancient writings (5)
13 Not favouring the offer made by a rival (9)
14 Well of course! (6)
16 Representative – a good man, and popular (5-2)
19 Visible apprehension (7)
21 They house single individuals naturally (6)
23 Quite vain, to be blunt (9)
25 Exceptionally large and majestic (5)
26 Out at elbows (6)
27 Such a plant requires proper drainage (8)
28 A potential high-flier for example receiving a grant (6)
29 In early spring keeping very fresh (8)

DOWN
1 There'll be insufficient if many land (6)
2 They make daily deliveries (5-4)
3 Over-firm from the very beginning (5)
4 Clear it out, but object (7)
6 Draw the old fellow (9)
7 The new cadet took part (5)
8 Clement managed to get in for rent only (8)
11 Stops and aims (4)
15 The Tories endlessly list what may be corrected (9)
17 Coach-building industry (9)
18 Cashier for the underworld class (8)
20 Diet could well be restricted (4)
21 Maintain there's infamy all round America (7)
22 Set about one when yielding (6)
24 Topping cake! (5)
25 Went mounted – love to make a show (5)

Solution 9,145



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FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

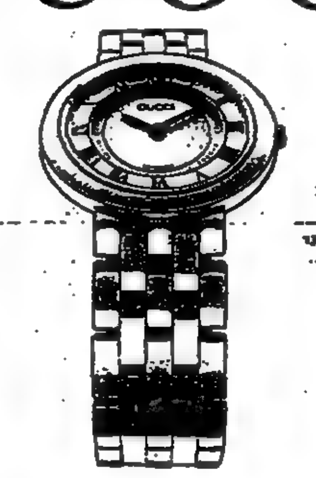
GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

GUCCI



GUCCI TIMEPIECES ARE AVAILABLE FROM
GUCCI BOND STREET, W.1., GUCCI SLOANE STREET, S.W.1., HARRODS AND SELFRIDGES. ALSO AT SELECTED ERNEST JONES, LESLIE DAVIS, GOLDSMITHS, WALKER AND HALL, WATCHES OF SWITZERLAND, MAPPIN & WEBB, SEAVERBROOKS AND OTHER FINE JEWELLERS.

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

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Perpetual UT Mngrs (Jersey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Offshore Am Gwth Fd	$1.2088	1.2118	—	-
Offshore Emerging Cos	$7.4804	7.9405	—	-
Offshore Far East Gwth Fd	$4.8884	5.3118	—	-
Offshore Intl Gwth Fd	$6.0280	6.4080	—	-
Offshore Japanese Gwth Fd	$1.2518	1.3303	—	-
Offshore UK Growth Fd	$3.7988	4.0368	—	-
Offshore Asia Smaller Mkts	$1.7388	1.8477	—	-
Offshore Latin Amer Growth	$1.0799	1.1477	—	-
Offshore European Gwth Fd	$2.5782	2.7410	—	-
Offshore Global Bond	$0.9870	1.0073	—	-
Offshore Global Bond Acc	$1.1451	1.1929	—	-

The Portugal Fund Limited

Lloyds Bank International (Jersey) Limited

NAV Aug 2	$7.10		—	-

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Ivory Growth Fund	£22.84	23.85	—	1.73
Lowes Aggressive Portfolio	£10.5	11.03	—	-
Lowes Defensive Pfolio	£11.89	12.49	—	-
Lowes Collective Pfolio Ltd	£11.19	11.73	—	-

For Schlesinger Asset see Hambros

TSB Fund Managers (CI) Ltd

TSB Inland Pension	722.0	760.1	+2.1	-
Inland Equity Acc	127.0	133.7	+0.8	-

WMB Asset Management (Jersey) Ltd

[illegible]	$1005.85	1005.75	—	-

Worldinvest (Managers) Jersey Ltd

Worldinvest Inc Fd †	$255.78	280.07	—	5.78
Excelle Global Eqty 3 *	$78.80	79.71	-0.78	-
Excelle Stg Global Fund Inc*	£11.94	12.01	-0.02	4.84

Valued weekly. * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

E.T. Investment Management Ltd

13 Rue Goethe, BP 413, Luxembourg 00 352 404648217

	Init Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
Established 1st Aug 8		$2.81		—	-

Eiglsten Global SICAV (u)

13 Rue Goethe, L-1637, Luxembourg 00 352 404646213

Equity Portfolio Aug 8	$2.339		-0.033	-
Reserve Portfolio Aug 8	$2.066		+0.070	-

EquiFund—Wright National Eqty Fd (u) (x)

14 rue Aldringen, L-1118 Lux 00 352 479 [illegible]

Australasian Nat	A$15.07	15.83	—	-
Austrian Nat Equity	Sch[illegible]	[illegible]	—	-
Belgium/Lux Nat. Eqty	BFr[illegible]	730	—	-
French Nat Equity	FFr[illegible]	128.09	—	-
German Nat Equity	DM17.84	17.72	—	-
Dutch Nat Equity	[illegible]	37.43	—	-
Italian Nat Equity	L11702	11620	—	-
Japanese Nat Equity	Y1312	1326	—	-
Hong Kong Nat Equity	[illegible]	117.53	—	-
Spanish Nat Equity	Pta1182	1174	—	-
UK Nat Equity	£10.34	10.44	—	-
United States Dlr Res	$10.88		—	-

Fidelity Funds (u)

Kansallis Hse, Place de l'Etoile, L-1021 Lux BP 2174

UK-01732 777377 Lux-00 352 25 [illegible]

Major Market Funds

America	$2.230		-0.013	-
Europe	DM4.618		-0.015	-
International	$16.13		—	-
Japan	Y138.1		+0.1	-
Pacific	$8.908		+0.049	-
South East Asia	$2.728		+0.002	-

Country Select Funds

ASEAN	$21.04		-0.08	-
Asian Special Situations	$10.84			-
Australia	A$15.13		+0.02	1.41
Emerging Markets	$8.431		-0.029	-
European Sm Cos F	DM12.59		+0.07	-
France	FFr61.59		+0.02	-
Germany	DM19.95		+0.01	-
Hong Kong	$44.53		+0.31	0.85
Iberia	Pta1729		-2	-
Indonesia	$8.792		-0.026	-
Italy	L14182		—	-
Japan Smlr Cos	Y1866		-5	-

Manulife Regent Global Fund (u)

13 rue Goethe, L-1637 00 352 [illegible]

American Gth Fund	$10.1527		[illegible]
European Gth Fund	$6.3017		[illegible]
Global Resources Fund	$4.1730		[illegible]
Intl Growth Fund	$2.1279		[illegible]
Japanese Gth Fund	$2.3441		[illegible]
Pacific Basin Gth Fund	$3.3578		[illegible]
Reserve Fund	$2.2212		[illegible]
Tiger Fund	$2.2078		[illegible]
UK Gth Fund	$2.0117		[illegible]

Mercury Asset Management S.A.

B.P. 1058, L-1010 Luxembourg

Mercury Selected Tst-SICAV (u)

Belgian Franc Global Bond	BFr[illegible]	1225	[illegible]
DM Global Bond	DM26.17	27.58	[illegible]
Dollar Global Bond	$12.97	13.65	[illegible]
Peseta Global Bond	Pta1405	1481	[illegible]
Sterling Global Bond	£10.83	11.41	[illegible]
Swiss Franc Global Bond	SFr[illegible]	108.33	[illegible]
Yen Global Bond	$15.11	15.91	[illegible]
European Bond	[illegible]	22.88	[illegible]
Global Portfolio	$13.72	14.40	[illegible]
Global Equity	$65.77	68.24	[illegible]
Emerging Markets	$11.41	12.02	[illegible]
Gold & Mining	$11.40	12.01	[illegible]
Australian & New Zealand	$23.09	24.33	[illegible]
Eastern European	[illegible]	34.32	[illegible]
European	$37.92	39.93	[illegible]
Japan	$21.51	22.65	[illegible]
Latin American	$8.34	8.74	[illegible]
North American	$40.27	42.40	[illegible]
Pacific	$19.10	20.12	[illegible]
Singapore & Malaysian	$20.29	22.70	[illegible]
United Kingdom	$37.89	39.05	[illegible]
Asian Opps	$27.34	28.79	[illegible]
European Opps	[illegible]	31.82	[illegible]
Global Opps	$10.98	11.84	[illegible]
Japan Opps	$18.48	19.47	[illegible]
North American Opps	$41.61	43.81	[illegible]
United Kingdom Opps	£17.88	18.58	[illegible]
DM Reserve	DM111.35	111.78	[illegible]
Dollar Reserve	$104.58	104.87	[illegible]
Sterling Reserve	£115.02	118.03	[illegible]
Swiss Franc Reserve	[illegible]	107.14	[illegible]

LUXEMBOURG (REGULATED)(**)

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Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual International - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
£ OFS Global Port	£1.390	1.492	---	-
£ YRA Worldwide	£1.407	1.513	---	-
$ YRA Dlr Worldwide	$1.486	1.601	---	-
Young & Co Blncd P'folio	$1.284	1.380	---	-
Pioneer Mid Term Agg	$1.100	1.183	---	-
Pioneer Long Term Cons	$1.095	1.177	---	-
Pioneer Long Term Agg	$0.917	0.986	---	-
$ Thomson Haywood Man.	$1.132	1.218	---	-
[illegible]	$0.882	0.948	---	-
[illegible]	DM402.8	90.9	---	-

PanEuroLife société anonyme

36 Av Marie-Thérèse, Luxembourg 00 352 458730

	Selling Price	Buying Price	+ or -	Yield Gross
French Balanced Aug 7	FFr6544.28		+57.91	-
German/Benelux Aug 7	DM3022.57		+53.81	-
Global Equities Aug 7	$1336.72		+78.79	-
Uk Secure Gth Aug 7	£704.30		+10.57	-
US Secure Growth Aug 7	$1140.93		+31.07	-
Intl Real Estate Aug 7	Ecu1348.53		+56.47	-
Fund of Funds Aug 7	Ecu1187.56		+24.81	-

Premier Life

1 Rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751

	Selling Price	Buying Price	+ or -	Yield Gross
Davenport Cadiwca £ Fd.	£1.23	1.33	---	-
Matheson £ Pens	£1.07	1.13	---	-
Matheson $ Pens	$0.97	1.03	---	-
Argent Blncd	£14.51		---	-
Argent Equity Gth	£21.03		---	-
OFS-James Capel Mgd Gr £	£2.30	2.31	-0.02	-
OFS-James Capel Mgd Gr $	$1.92	1.93	---	-
OFS Aggressive $	$1.46	1.47	---	-
OFS Mngd Growth $	$1.90	1.91	-0.02	-
OFS Dlr Balanced Port	$1.48	1.49	-0.02	-
CH 10	SFr1.55	1.67	---	-
Lx 10	$1.02	1.74	---	-

Professional Investment Consultants

	Selling Price	Buying Price	+ or -	Yield Gross
CMI Ilfe Actively Managed £	£0.436	0.468	---	0
CMI Ilfe Actively Managed $	$0.444	0.477	---	0
Premier Lux $	$1.36	1.415	---	-
Premier Lux £	£1.38	1.442	---	-
PCI Worldwide Opps	£1.485	1.575	---	-
Royal Life Intl PIC Intl Gth	$0.876	0.843	---	-
SPILA Flexible Growth	$1.062	1.132	+0.001	-

For Prudential Securities see Ireland Regulated

Royal Life International

Royal Court, Athory Rd, Castletown IoM 01624 821212

Alpha Fund Management Ltd - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
Dollar Emerging Mkts Jul 31	$174.77		---	-
Globalvest Value (E) Jun 30	$142.08		---	-
Hemisphere Neutral Jul 31	$110.73		---	-
Lotterent Value Fd Ltd Jun 30	$122.60		---	-
Pacific Rim Opp BV (E) Jul 31	$93.28		---	-
Ringgen Intl Fd Ltd Jul 31	$74.38		---	-
The Russia Fund Ltd Jul 31	$132.89		---	-
Sage International Jul 31	$119.03		---	-
Scotland Pacific Cap Offshore Jun 30	$120.84		---	-
Yolo-Tec Global Gap Fd Ltd Jul 31	$176.21		---	-
Zenith Performance Jul 31	$94.74		---	-

Aravis Capital Advisers LLC

	Selling Price	Buying Price	+ or -	Yield Gross
Aravis Clipper Ltd	$104.28		---	-

Arc Investment Company Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Rainbow	$504.86		---	-
Rainbow	SFr487.44		---	-

For Artisad Inv Mgmt Ltd see Stephen Bowie Partners

For Aristocratic see Bermuda Regulated

Arnhold and S. Bleichroeder, Inc

	Selling Price	Buying Price	+ or -	Yield Gross
Aetos Corporation-Class A	$9990.55		---	-
Agila International Fd Ltd-Class A	$811.19		---	-
DEF Associates N.V - Class A	$14296.67		---	-
First Eagle Fund N.V - Class A	$85017.40		---	-
Global Beverage-Class A	$108.60		---	-

Asia Pacific Capital Strategies Fund

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Aug 5	$8.80		---	-

Asia Pacific Securities Corp Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Indian Sctr Cos Fd Ltd Jul 31	$9.71		---	-

For Atlantic Consultants see Jupiter Asia Pacific

Asian Convertibles & Income Fd (Cayman)

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Aug 9	$12.82		---	-

Aurum Funds

c/o MeesPierson Fund Administration

	Selling Price	Buying Price	+ or -	Yield Gross
Aurum Multi-Fund Ltd Jun 30	$108.76		---	-
Aurum Gold Fund Ltd Jun 30	$104.47		---	-
Aurum Investor Fund Ltd Jun 30	$109.81		---	-

Credis Investment Funds

Garantia Fund of Funds Ltd

Indosuez Asset Management Asia Ltd

MBf Unit Trust Managers Limited

PFC Internatl Portfolio Fd Mngt Ltd

Smith Barney Funds

OTHER OFFSHORE FUNDS

Global Asset Management - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
SEC Registered Funds				
GAMerica Capital	$12.62xd		+0.05	-
GAM Asian Capital	$9.58xd		---	-
GAM Europe	$11.04xd		-0.15	-
GAM Global A	$13.54xd		-0.04	-
GAM Global D	$13.35xd		-0.04	-
GAM International A	$20.89xd		-0.08	-
GAM International D	$20.78xd		-0.09	-
GAM Japan Capital	$10.38xd		-0.06	-
GAM North America	$13.35xd		+0.08	-

Johnson Fry Securities Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
US Mutuals Global Futures Fd	£107.07		---	-

Jupiter Tyndall (Bermuda) Ltd

Jupiter Tyndall Specialist Fund Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Brazil Class	$1.08	1.14	-0.02	-
Korea Smaller Companies Class	$0.83	0.88	---	-
Mexico Class	$1.30	1.37	---	-

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TEL: 0171 371 7961
36 HOLBORN, LONDON EC1N 2JD
TEL: 0171 405 3767
117 BISHOPSGATE, LONDON EC2M 3TH
TEL: 0171 626 7020
46 EASTCHEAP, LONDON EC3M 1HD
TEL: 0171 626 0707

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	441	–9	656	419	4,575	6.7	16.7
Bulmer (HP)	★	592xd	—	625	464	312.6	2.8	19.8
Burn St Dist	★	107	—	146	95	69.9	6.2	21.8
Glenmorangie A		705	—	775	600	184.0	2.0	19.8
Grand Met	★†	459xd	+2	487	407½	9,808	4.2	19.4
Guinness	★†	479	+3	536	435	9,254	3.9	15.6
Highland	★†	384	–1	496	315	[illegible]	2.7	17.0
[illegible]		739½	+7½	[illegible]	621	7,795	0.6	29.4
Macallan-Glen	★♣	153	—	217	150	170.6	1.3	31.4
Matthew Clark	★♣	[illegible]xd	–2	[illegible]	580	612.8	4.3	33.1
Merrydown	★	121	[illegible]	147	91	13.7	4.8	Φ
Seagram $		£22	+	£25	£20	6,078	1.3	–

BANKS, MERCHANT

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		59½	—	59½	50½	6.31	19.8	–
Cater Allen	♣	423	—	520	379	137.9	8.9	12.5
Close Bros	♣†	339	+1	*392	305	408.5	3.3	15.0
Gerrard & Nat	♣	340	—	472	337	168.3	8.5	10.6
Hambros		239	–1	282	183	418.0	4.0	–
7¼pc Cv Pf		119	–½	117	94½	141.7	8.5	–
King & Shaxson	♣	165	—	177	112½	43.6	6.8	14.3
Leopold J	♣	446xd	—	453	353	43.7	5.4	16.2
Rea Brothers	♣	96	—	97	44	34.1	2.5	24.0
Schroders	♣	1328	—	1478	1185	2,006	1.5	18.6
N/V		1000	+2	1180	880	440.8	2.0	13.9
Singer & Fried	♣	116	+2½	122	97	229.1	4.3	9.6
6½pc Cv Ln 03/14		£139½	+1½	£144½	£1[illegible]	41.5	6.3	–
Union	♣	99	—	121	85½	26.3	3.8	10.5
Wintrust		356	—	380	285	30.6	4.5	Φ

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

صكنا من الاجل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

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GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IBR Yardline Earnings/forecasts.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

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LONDON STOCK EXCHANGE

MARKET REPORT

Weaker Wall Street fails to restrain London

By Philip Coggan, Markets Editor

The London market resumed its winning ways yesterday, after two sessions of modest losses, and the FT-SE 100 index closed within 1 per cent of its all-time high.

Footsie rose 20.1 points to end the day at 3,823.4, its highest level for nearly four months. The all-time closing high of 3,857.1 was recorded on April 19.

The strong performance of the UK market was striking, given Wall Street's weakness. The Dow Jones Industrial Average was around 28 points lower at the close of London trading, after higher-than-expected figures for consumer prices and retail sales depressed Treasury bonds and revived fears that the Federal Reserve might raise interest rates.

Mr Robert Buckland, UK equity strategist at HSBC James Capel said: "We're starting to catch up some of the daylight between ourselves and Wall Street. The mere fact that we've been left behind in the first part of the year allows us to outperform."

He added that "we've seen a pretty healthy raft of results, particularly from the financials. The focus is back on the big stocks which are leading the way. The number that most people will be looking for the market to have a crack at is 3,850."

However, Mr Buckland, whose end-year forecast for Footsie is 4,000, warned that, with the market at current levels, there is less for investors to go for than there was just two or three weeks ago.

Yesterday's strength in London may have owed something to some lingering optimism about a cut in UK interest rates, following weak producer prices figures on Monday.

The benchmark 10 year gilt was around an eighth of a point higher, despite the weakness of the Treasury bond market. However, short sterling futures, the market's vehicle for speculating on interest rate changes, continue to point to a rate rise by March 1997.

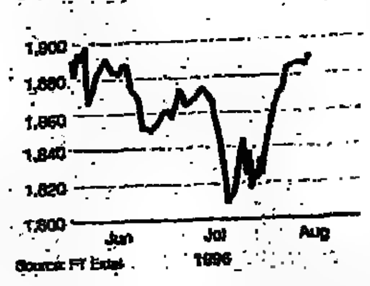
Corporate news was not particularly supportive for the market yesterday. The regulatory review of National Grid was as tough as had been feared in the weekend press, and the shares were Footsie's worst performers on the day. Third quarter numbers from BOC were bottom-of-the-range and were accompanied by a cautious statement; together, they sent the shares down 4.7 per cent.

However, Footsie stayed strong throughout the day, although it traded within a narrow range; its worst level of the day, 3,811.8, and its best, 3,826.4, occurred within 70 minutes of each other. The FT-SE Mid 250 index rose 14.2 to 4,346.1.

The recent rally has seen advancing stocks outpace declining ones by three-to-two over the 10 days to Monday.

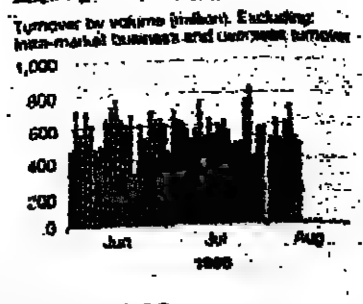
Volume showed a pick up from Monday's levels, with 688m shares traded by the 6pm count, of which 55 per cent was in non-Footsie stocks. The value of retail business on Monday, normally the quietest day of the week, only just edged past the £1bn mark.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios FIGURES ARE FOR 12.8.96

FT-SE 100	3803.3	-7.4
FT-SE Mid 250	4331.9	+7.4
FT-SE-A 350	1905.1	-3.2
FT-SE-A All-Share	1882.95	-1.91
FT-SE-A All-Share yield	3.91	3.91
FT Ordinary index	2794.3	-2.0
FT-SE-A Non Fins p/e	17.12	17.15
FT-SE 100 Fut Sep	3811.0	0.0
10 yr Gilt yield	7.79	7.79
Long gilt/equity yld ratio	2.09	2.09

Best performing sectors

1. Extractive Inds ... +0.8
2. Retailers : General ... +0.7
3. Property ... +0.6
4. Alcoholic Beverages ... +0.5
5. Engineering : Vehicles ... +0.5

Worst performing sectors

1. Tobacco ... -8.9
2. Gas Distribution ... -1.9
3. Consumer Goods ... -1.2
4. Pharmaceuticals ... -1.0
5. Diversified Inds ... -0.4

Offer pricing hits Grid

By Peter John, Jeffrey Brown and John Oludu

Market pessimists had prepared themselves for disappointing regulatory proposals for National Grid.

But when the details filtered through they were sufficiently bleak to send the shares down 10½ to 165p. The near 6 per cent slide was the biggest in the Footsie as was the turnover of 21m shares.

National Grid hit back at the regulator's proposals of a 20 to 26 per cent revenue cut and a price cap of four per cent below inflation which could wipe £300m off 1997/98 revenues. It said Offer's "proposed market-based asset valuation, on which the company is allowed to make a rate of return, is illogical and inconsistent with previous regulatory valuations."

Mr Nigel Hawkins at Yamaichi said dividend growth in real terms could slip to 2 per cent per annum.

Builders lively

Housebuilders kicked into action, after a period of sideways movement, as hopes for a cut in interest rates combined with reports that demand and prices were improving.

Monday's producer prices numbers for July put a UK rate cut back on some building analysts' agendas. "It gives the chancellor a highly visible green light", said one broker.

At the same time, the latest feedback from the building trade suggests that housing starts and prices are all heading upwards. July starts are said to have increased by 6 per cent.

Berkeley Group added 11 to 581p, Barratt put on 2 to 251p and Beazer gained 3 to 189p. Bellway, which is to replace Southern Water in the FT-SE Mid 250 index, rose 6 to 307p.

The upturn in sentiment also gave builders merchants a lift. Graham Group closed 4 better at 141p and Meyer International put on 9 to 381p.

BOC deflated

Gases and healthcare group BOC suffered a sharp slide that sent its share price down to a 10-month low.

First, the headline nine-month profits were disappointing. And second, the comments that came out the company's meeting with analysts underscored an unattractive picture.

Third quarter profits were up 10 per cent and turnover was 5 per cent higher than the same quarter last year. However, the healthcare business reported a 27 per cent third-quarter fall in operating profits, largely due to the continued fall in prices for its Forane anaesthetic product.

Following the meeting, the consensus forecast for BOC's profits for the year to September 1997 was lowered to between £460m and £470m from £505m previously. Kleinwort Benson was even more savage with a cut of £45m to £450m. The shares fell 42 to 853p.

The negative sentiment spilled over to the other sector leaders. Courtaulds fell 7 to 441p and ICI 7 to 795p.

Worries about further profit downgrades left conglomerate Cookson trailing noticeably in the Footsie rankings.

A negative note from NatWest Securities sparked the downgrade stories. The broker is concerned about weak profits in electronics materials (around 40 per cent of group sales) and says analysts could well shade down their expectations ahead of next month's half-year results statement.

The shares have lagged the market by 15 per cent over the past six months. NatWest reiterated its "reduce" advice and the stock ended off 9 at 257p. BTR added 5¼ to 264½p.

A number of positive broker notes sparked selective buying of engineering stock.

SBC Warburg gave a lift to TI Group, reiterating its "buy" stance and helping the shares to advance 8 to 588p.

Up 7 on Monday, Yorkshire Food fell 23 to 49p after a warning from the company of losses for this year.

General Cable rose 2¼ to 163p after the release of what sector analysts described as "very encouraging and better-than-expected" results.

BT slipped 2 to 374p after mild profit-taking. Mr James McCafferty, analyst with ABN Amro Hoare Govett, said investors were exercising caution after the strong run over the past month. Another analyst said the shares still reflected concerns over negotiations with Oftel, the industry regulator.

General Accident was strong, as analysts upgraded full year forecasts following top-of-the-range interim figures from the insurer. NatWest Securities pencilled a full-year figure of £382m, up £20m on the previous estimate. The shares gained 14 to 678p.

Banking stocks were helped by continuing indications of a low inflationary environment and National Westminster received an additional boost from a survey showing it had overtaken Barclays to gain the biggest share of the UK corporate banking market. NatWest lifted 18¾ to 680p and Barclays 17 to 896p.

Flextech, the European subsidiary of Tele-Communications Inc of the US, jumped 27 to 501p as it confirmed it was holding joint venture discussions with the BBC over a cable and satellite deal. Flextech is also in talks with Pearson over acquiring the media conglomerate's interest in the UK Gold and UK Living channels. Pearson rose 8 to 668p.

Spirits shares took some comfort from the half-year sales trends at LVMH, the French group with a big global drinks business. Both Guinness and Grand Metropolitan moved ahead.

LVMH's cognac operations were still under a cloud but the overall message from its interim sales was that spirits trading was probably holding up relatively well.

Guinness gained 6 to 479p and Grand Metropolitan added 2 to 458p. Out of step with the sector was Allied Domecq, where stories of last minute hitches to the Carlsberg-Tetley sale undermined sentiment.

Allied is expected to shortly announce the sale of its 50 per cent stake in Carlsberg-Tetley to Bass. There were reports yesterday that the deal, thought to be worth around £200m, had been delayed. Allied retreated 6 to 441p.

The latest statistics from the British retail consortium highlighted the continuing strength in durable goods sales and helped the likes of Argos, which rose 3 to 748p and DFS Furniture, up 5 at 551p. However, Dixons, the electrical goods retailer, shed 3 to 507p on concern over the annual report and accounts, which was published yesterday.

FINANCIAL TIMES EQUITY INDICES

	Aug 13	Aug 12	Aug 9	Aug 8	Aug 7	Yr ago	*High	*Low
Ordinary Share	2796.2	2794.3	2796.3	2796.4	2787.8	2600.1	2885.2	2669.8
Ord. div. yield	4.09	4.08	4.08	4.08	4.08	4.15	4.22	3.76
P/E ratio net	16.89	16.44	16.44	16.44	16.43	15.51	17.28	15.8
P/E ratio nil	16.72	16.28	16.28	16.28	16.27	15.32	17.03	15.71

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2796.6	2802.8	2804.3	2797.1	2797.0	2799.0	2794.5	2795.8	2797.3	2807.3	2793.9

	Aug 13	Aug 12	Aug 9	Aug 8	Aug 7	Yr ago
SEAQ bargains	29,842	30,653	30,417	30,144	32,267	22,315
Equity turnover (£m)†	–	1015.6	1381.9	1486.2	2304.4	1063.2
Equity bargains†	–	34,306	35,532	35,120	38,407	32,250
Shares traded (mil)†	–	393.7	480.8	523.6	726.9	582.1

†Excluding intra-market business and overseas turnover.

	Aug 13	Aug 12	Aug 9	Aug 8	Aug 7	Yr ago	*High	*Low
FT-SE AIM	1068.90	1070.80	1069.80	1060.00	1053.10	–	1140.4	965.7

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	728	Total Highs	62	Total contracts	57,506
Total Falls	421	Total Lows	30	Calls	27,167
Same	1,544			Puts	30,139

Aug 13 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est vol	Open int
Sep	3821.0	3836.0	+25.0	3843.0	3821.0	11455	60904
Dec	3855.5	3857.5	+25.0	3861.5	3851.0	910	3829
Mar	-	3868.0	+25.0	-	-	0	310

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est vol	Open int
Sep	-	4355.0	+25.0	-	-	0	3490

FT-SE 100 INDEX OPTION (LIFFE) (*3824) £10 per full index point

	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P
Aug	177	1	127½	1	78	1½	33	6	5	29½	1	75½	1	125½	1	175½
Sep	197½	11	153½	16½	112½	27	77½	42½	46	64	27½	93½	13½	131	5½	178
Oct	213½	22½	172	32	133	43½	101	61½	71½	82½	48½	109½	31	143	17½	191½
Nov	229	36	190	46½	154	60	121½	78½	92½	98	67½	123½	46	155	32	190
Dec†			212	61			148	95			94	141½			54	203

Calls 11,456 Puts 22,457

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P	4025 C	4025 P
Aug	152	1	102½	1	54½	3	16	14	1½	49	1	99	1	148	1	198
Sep	172½	12½	130½	20½	93	32½	60½	49½	36½	75	18½	108	9	147	3½	191½
Oct	189	25	150	35½	115½	50½	86½	70½	61½	95	41½	124½	26	158½	16	196½
Dec			198	68½			132½	106½			81½	147½			49½	209½
Mar†			239½	101½			181½	140			132½	187½			92½	244

Calls 9,456 Puts 4,174 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§70	F.P.	14.4	78	67	†AND Intl	[illegible]					
§60	F.P.	8.84	58	33	†Allzyme	[illegible]					
§	F.P.	212.2	241	228	Allied Carpets	241	+2				
*	F.P.	879.1	£20⅞	£18⅞	Alumax	[illegible]					
§100	F.P.	-	100	100	Amer Opps Ln 03/06	[illegible]					
§110	F.P.	8.82	148	120	†Chemical Design	[illegible]					
*	F.P.	8.17	4	4	†Denmaster Hldgs	[illegible]					
§71	F.P.	16.5	111	78	†Digital Animatns	[illegible]					
§3	F.P.	3.07	4	4	†Drings of Bath	[illegible]					
§	F.P.	87.5	677½	676½	Egypt Trust	[illegible]					
§146	F.P.	44.8	218	148	†Elec Retail Sys	[illegible]					
§	F.P.	2.52	53	41	†Fayrewood	[illegible]					
§	F.P.	19.0	63	61	†Gall Thomson Env	[illegible]					
163	F.P.	22.2	189	169	†HIT Entm	[illegible]					
§65	F.P.	18.2	65	65	Hambros Sml Am C	[illegible]					
§100	F.P.	24.2	98	94	Hoare Gvt 1000 C	[illegible]					
§12	F.P.	0.60	15	12	†Life Numbers	[illegible]					
§	F.P.	0.16	6	2	†Life Numbers Wts	[illegible]					
§	F.P.	0.26	1½	1	†Lotteryking Wts	[illegible]					
-	F.P.	0.36	2	1½	†Pordum Foods Wts	[illegible]					
§105	F.P.	28.7	129	105½	Robert Walters	[illegible]					
§149	F.P.	19.0	183	151	†SCI Ent	[illegible]					
§100	F.P.	79.8	98	91	Schroder Em Cos	[illegible]					
§	F.P.	6.28	36	31	Schroder Em Wts	[illegible]					
-	F.P.	40.7	370	349	Schroder Em Ot O	370	+7				
§66	F.P.	13.3	70	66	†Selector	[illegible]					
145	F.P.	471.0	163	156	Somerfield	157		W8.0	2.5	7.2	7.0
-	F.P.	4.83	125	120	†West 175 Entre	[illegible]					

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Aug 12	% chg on day	Aug 9	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	2054.80	+0.6	2043.28	1992.69	1.55	-	2328.73	1723.89
■ Regional Indices								
Africa (13)	2847.31	+0.8	2826.34	2634.57	3.01	17.42	3553.86	2572.74
Australasia (7)	2360.57	-1.1	2382.08	2418.41	2.41	22.51	2827.34	2123.50
North America (11)	1846.57	+0.6	1832.89	1687.38	0.72	68.99	2186.39	1469.94

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FT - SE Actuaries Share Indices — The UK Series

	Aug 13	Day's chge%	Aug 12	Aug 9	Aug 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3823.4	+0.5	3803.3	3810.7	3811.4	3444.4	4.09	2.07	14.74	124.79	1579.91
FT-SE Mid 250	4346.1	+0.3	4331.9	4324.5	4318.6	3850.8	3.47	1.59	22.87	123.76	1758.11
FT-SE Mid 250 ex Inv Trusts	4380.2	+0.3	4365.6	4357.4	4350.6	3864.1	3.57	1.62	21.61	130.38	1776.33
FT-SE-A 350	1914.3	+0.5	1905.1	1907.3	1907.0	1718.7	3.99	1.96	15.93	60.79	1615.87
FT-SE-A 350 Higher Yield	1840.7	+0.3	1836.1	1843.5	1842.6	1705.4	5.26	1.90	12.52	77.29	1305.56
FT-SE-A 350 Lower Yield	1995.3	+0.7	1981.4	1978.5	1978.6	1736.5	2.76	2.13	21.24	44.74	1389.42
FT-SE SmallCap	2126.19	+0.2	2122.93	2121.04	2118.63	1945.10	3.12	1.65	23.90	42.92	1753.71
FT-SE SmallCap ex Inv Trusts	2118.26	+0.1	2115.35	2113.09	2109.84	1921.71	3.34	1.76	21.30	45.00	1758.42
FT-SE-A ALL-SHARE	1891.62	+0.5	1882.95	1884.85	1884.43	1700.51	3.89	1.96	16.35	58.39	1620.87

FT-SE Actuaries All-Share

	Aug 13	Day's chge%	Aug 12	Aug 9	Aug 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3580.79	+0.4	3567.20	3563.35	3539.79	2922.86	3.60	1.63	20.22	93.81	1649.14
12 Extractive Industries(6)	4161.27	+1.2	4112.79	4061.83	4103.82	4034.56	3.86	2.52	12.87	109.19	1224.53
15 Oil, Integrated(3)	3675.66	+0.2	3667.81	3668.13	3633.55	2911.55	3.97	1.48	21.27	100.98	1632.77
16 Oil Exploration & Prod(15)	2538.06	+0.6	2523.11	2531.21	2519.32	2002.26	2.05	1.52	39.92	34.94	1528.64
20 GEN INDUSTRIALS(276)	2014.38	+0.2	2009.66	2007.44	2006.16	1977.12	4.30	1.84	15.77	55.15	1110.76
21 Building & Construction(34)	1150.58	+0.7	1142.03	1138.00	1137.48	966.44	3.60	1.67	20.83	23.05	966.97
22 Building Matls & Merchs(28)	1864.87	+0.6	1854.20	1852.19	1852.58	1812.59	4.10	1.71	17.79	47.81	946.87
23 Chemicals(25)	2376.79	-1.4	2410.58	2406.72	2412.07	2468.66	4.25	1.63	18.02	62.58	1134.62
24 Diversified Industrials(19)	1566.37	+0.7	1555.11	1561.88	1556.10	1803.24	6.65	1.69	11.12	62.63	887.89
25 Electronic & Elect Equip(37)	2304.76	-0.3	2312.40	2303.86	2302.97	2028.86	3.36	1.66	22.37	56.62	1211.63
26 Engineering(71)	2447.16	+0.3	2439.58	2432.25	2434.46	2089.31	3.26	2.43	15.64	64.65	1498.22
27 Engineering, Vehicles(14)	3048.27	-0.2	3051.41	3037.00	3040.31	2544.14	3.60	2.01	17.82	73.79	1592.84
28 Paper, Pckg & Printing(28)	2658.46	+1.5	2618.50	2612.23	2601.00	2989.59	3.88	1.99	16.24	64.49	1116.94
29 Textiles & Apparel(19)	1256.79	+1.0	1244.46	1246.41	1253.90	1685.27	5.63	1.56	14.24	42.36	775.93
30 CONSUMER GOODS(81)	3570.25	+0.6	3549.11	3593.98	3591.34	3279.49	3.95	1.94	16.31	115.56	1336.83
32 Alcoholic Beverages(6)	2814.64	+0.3	2805.32	2791.69	2792.83	2780.34	4.46	1.62	17.22	91.69	1029.12
33 Food Producers(24)	2522.61	+0.6	2506.16	2500.61	2505.27	2530.62	4.13	1.85	16.39	70.29	1150.66
34 Household Goods(15)	2567.89	+0.3	2559.94	2558.37	2560.89	2685.46	3.87	2.15	15.01	59.03	986.42
36 Health Care(20)	2007.79	----	2007.08	2001.76	2007.31	1874.66	2.72	2.18	21.01	35.96	1227.10
37 Pharmaceuticals(15)	5235.16	+0.8	5193.48	5246.63	5230.48	4240.26	3.23	2.07	18.71	151.62	1802.39
38 Tobacco(1)	3947.43	+0.4	3930.49	4311.68	4315.91	4218.50	6.64	2.06	9.16	262.07	1016.53
40 SERVICES(252)	2533.80	+0.5	2520.96	2512.68	2510.57	2163.65	2.90	1.91	22.59	66.07	1328.68
41 Distributors(31)	2767.86	+0.7	2748.85	2745.37	2750.67	2719.84	3.16	1.74	22.82	57.82	1028.54
42 Leisure & Hotels(24)	3185.12	+1.2	3147.87	3133.21	3108.45	2476.53	2.75	1.93	23.58	154.38	1722.08
43 Media(45)	4231.20	+0.5	4211.48	4187.39	4184.04	3248.96	2.18	1.95	29.48	59.65	1537.30
44 Retailers, Food(14)	2043.86	+1.0	2022.95	2015.52	2019.16	2171.66	3.75	2.32	14.39	48.71	1311.67
45 Retailers, General(43)	2101.32	+0.3	2096.16	2082.09	2085.61	1774.78	3.00	2.13	19.57	47.43	1212.81
47 Breweries, Pubs & Rest.(24)	3120.06	+0.2	3112.51	3117.88	3113.83	2637.44	3.29	1.99	19.17	67.05	1512.32
48 Support Services(49)	2473.53	+0.5	2460.25	2456.15	2455.40	1738.18	1.89	2.28	29.02	34.90	1580.41
49 Transport(22)	2379.99	+0.2	2375.62	2373.78	2376.34	2306.93	4.00	0.93	33.47	57.34	1001.15
60 UTILITIES(33)	2334.91	-0.2	2338.52	2345.89	2344.09	2493.03	5.47	1.97	11.62	152.62	1037.04
62 Electricity(11)	2459.18	-0.7	2476.62	2483.67	2477.28	2589.07	6.61	2.45	7.73	404.44	1318.14
64 Gas Distribution(2)	1326.02	-0.2	1329.22	1354.82	1351.62	1877.66	9.04	1.36	10.19	66.67	695.51
66 Telecommunications(6)	1972.07	+0.1	1970.56	1974.97	1973.88	2110.39	4.09	1.69	18.12	50.20	915.91
68 Water(12)	2236.26	----	2236.11	2228.60	2233.61	2033.59	5.91	2.36	8.97	94.85	1264.75
69 NON-FINANCIALS(666)	1993.18	+0.4	1985.96	1989.23	1986.32	1828.76	3.88	1.88	17.17	62.98	1533.72
70 FINANCIALS(104)	3070.32	+0.9	3041.67	3037.04	3053.27	2487.14	4.29	2.41	12.08	94.03	1339.27
71 Banks, Retail(9)	4390.16	+1.3	4335.21	4330.50	4357.17	3355.44	4.13	2.71	11.17	141.75	1456.51
72 Banks, Merchant(6)	3567.07	+0.1	3561.94	3559.94	3551.83	3623.71	2.77	2.50	18.02	63.39	1138.39
73 Insurance(22)	1472.17	+0.8	1459.91	1459.77	1465.68	1333.29	5.69	2.34	9.41	49.20	1117.03
74 Life Assurance(6)	3405.22	-0.1	3407.57	3402.18	3449.89	2726.95	4.44	2.21	12.72	100.72	1426.65
77 Other Financial(21)	2577.63	+0.3	2571.00	2565.58	2554.56	2186.31	4.09	1.79	17.02	68.15	1483.46
79 Property(41)	1605.16	+0.7	1593.71	1584.88	1587.24	1464.01	3.97	1.25	25.25	40.48	999.82
80 INVESTMENT TRUSTS(126)	3140.20	+0.3	3131.89	3131.11	3130.49	2925.62	2.26	1.11	49.88	47.71	1103.26
89 FT-SE-A ALL-SHARE(896)	1891.62	+0.5	1882.95	1884.85	1884.43	1700.51	3.89	1.96	16.35	58.39	1620.87
FT-SE-A Fledgling	1226.74	+0.1	1226.09	1224.25	1223.01	1046.26	2.80	2.31	19.36	21.75	1290.46
FT-SE-A Fledgling ex Inv Trusts	1239.90	----	1239.82	1237.72	1236.16	1039.86	3.00	2.48	16.80	23.55	1305.11

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3811.9	3818.1	3823.1	3817.9	3818.9	3822.4	3817.1	3819.4	3824.7	3826.4	3811.8
FT-SE Mid 250	4337.1	4342.1	4345.0	4344.5	4345.7	4347.0	4346.5	4344.7	4345.6	4347.1	4337.1
FT-SE-A 350	1908.9	1911.8	1914.1	1912.0	1912.5	1914.0	1911.8	1912.6	1914.8	1915.3	1908.9

Time of FT-SE 100 Day's high: 9:48 AM Day's low: 8:39 AM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 3632.3 (16/02/96).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1137.6	1140.2	1142.6	1143.3	1145.9	1146.0	1145.7	1145.1	1144.8	1146.9	1134.5	+12.4
Pharmaceuticls	5143.5	5156.2	5162.0	5159.4	5160.5	5167.1	5152.1	5150.0	5161.1	5165.0	5123.2	+41.8
Water	2231.3	2232.1	2232.4	2228.7	2230.4	2229.6	2229.3	2229.9	2227.1	2224.1	2224.0	+0.1
Banks, Retail	4400.2	4411.3	4438.9	4433.9	4431.8	4437.6	4428.0	4436.8	4447.1	4446.2	4390.5	+55.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.

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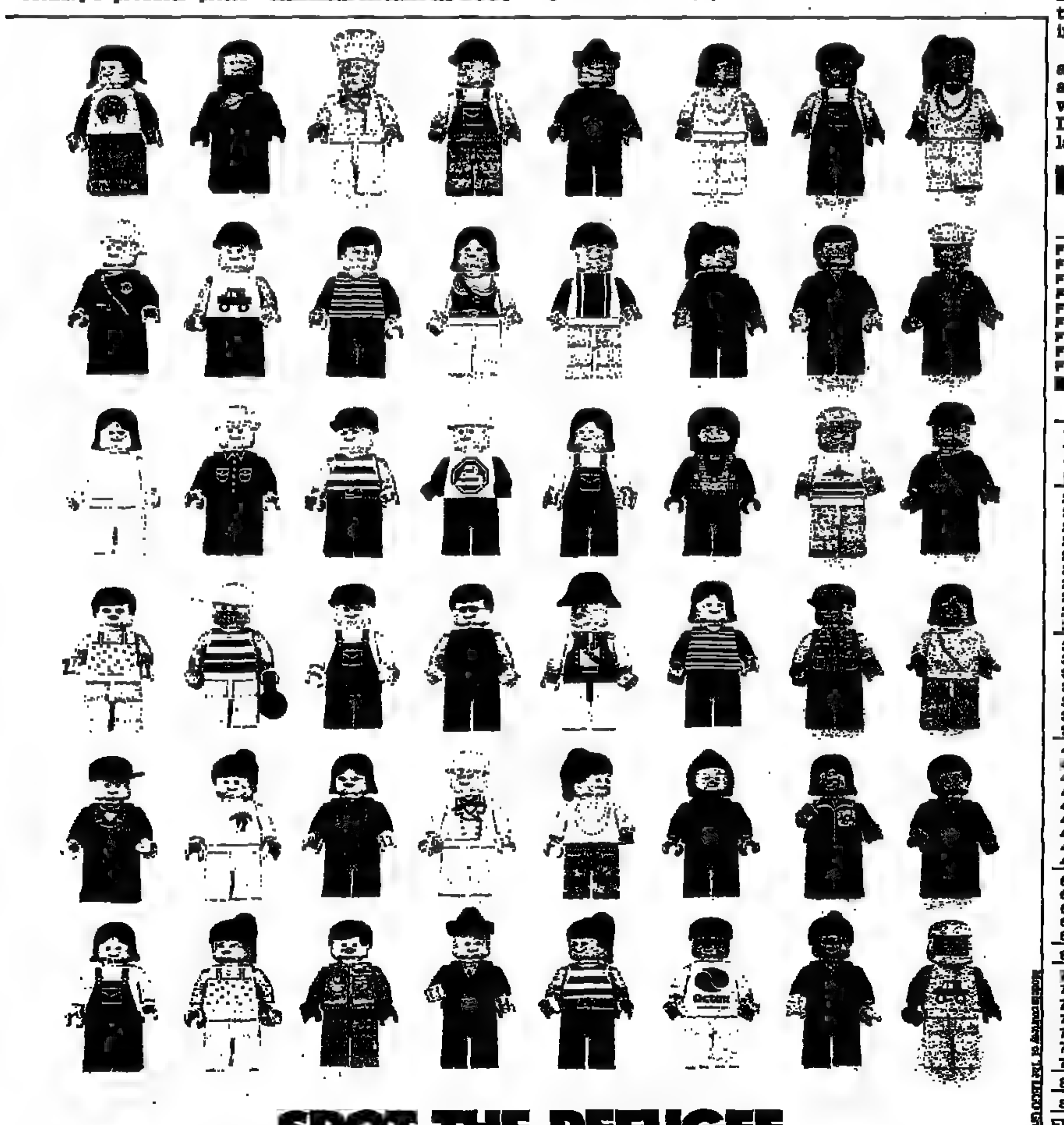
TRADING VOLUME

Major Stocks Yesterday

	Vol 000s	Closing price	Day's change

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded. Source: FT Extel.



SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left.

You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand.

We know you can't give them back the things that others have taken away.

We're not even asking for money (though every cent certainly helps).

But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information
P.O. Box 2500
1211 Geneva 2, Switzerland

UNHCR
United Nations High Commissioner for Refugees

INT

صحكنا من الاجل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 13 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Aug 13 / Frs.)

[illegible]

CZECH REP (Aug 13 / Korunas)

[illegible]

DENMARK (Aug 13 / Kr)

[illegible]

FINLAND (Aug 13 / Mks)

[illegible]

FRANCE (Aug 13 / Frs.)

[illegible]

GERMANY (Aug 13 / Dm.)

[illegible]

GREECE (Aug 13 / Drachmae)

[illegible]

ITALY (Aug 13 / Lira)

[illegible]

NETHERLANDS (Aug 13 / Frs.)

[illegible]

NORWAY (Aug 13 / Kroner)

[illegible]

POLAND (Aug 13 / Zloty)

[illegible]

PORTUGAL (Aug 13 / Escudo)

[illegible]

SPAIN (Aug 13 / Pts.)

[illegible]

SWEDEN (Aug 13 / Kronor)

[illegible]

SWITZERLAND (Aug 13 / Frs.)

[illegible]

TURKEY (Aug 13 / TL Lira)

[illegible]

Peregrine, the specialists in Asian corporate finance and the world's #1 bookrunner of Asian equity issues in 1996.*

*FT Securities Data

PEREGRINE
Asian focus, global distribution.

PACIFIC

JAPAN (Aug 13 / Yen)

[illegible]

HONG KONG (Aug 13 / H.K.$)

[illegible]

INDONESIA (Aug 13 / Rupiah)

[illegible]

MALAYSIA (Aug 13 / MYR)

[illegible]

NEW ZEALAND (Aug 13 / NZ $)

[illegible]

SINGAPORE (Aug 13 / S$)

[illegible]

AUSTRALIA (Aug 13 / AusS)

[illegible]

SOUTH KOREA (Aug 13 / Won)

[illegible]

TAIWAN (Aug 13 / TW $)

[illegible]

THAILAND (Aug 13 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Aug 13 / Rand)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Aug 13 / Can $)
4 pm close

[illegible]

MONTREAL (Aug 13 / Can $)
4 pm close

[illegible]

INDICES

[illegible]

US INDICES

Dow Jones	Aug 12	Aug 9	Aug 8	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5704.98	5681.31	5713.49	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	102.44	102.57†	102.45	105.00 (14/2)	100.88 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2058.47	2059.75	2079.60	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	12.32 (8/7/32)
Utilities	214.57	211.92	211.92	224.00 (12/2)	204.86 (30/7)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5748.04 (5747.18) Low 5625.63 (5654.31) (Theoretical§)
Day's high 5705.73 (5729.09) Low 5649.02 (5668.00) (Actual§)

Standard and Poors	Aug 12	Aug 9	Aug 8	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	665.77	662.10	662.56	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials¶	786.94	782.80	784.29	807.86 (5/6)	702.07 (15/1)	807.86 (5/6/96)	3.62 (21/6/32)
Financial	65.49	66.01	66.05	68.46 (12/8)	58.57 (10/1)	68.46 (12/8/96)	8.64 (1/10/74)
NYSE Comp.	355.13	353.44	353.91	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	552.52	550.80	551.77	614.89 (22/5)	525.80 (16/7)	614.89 (22/5/96)	29.31 (9/12/72)
NASDAQ Comp	1136.27	1137.27	1137.51	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Aug 9	Aug 2	Jul 26	Year ago
Dow Jones Ind. Div. Yield	2.21	2.20	2.28	2.46
	Aug 7	Jul 31	Jul 17	Year ago
S & P Ind. Div. yield	2.03	2.10	2.32	2.07
S & P Ind. P/E ratio	21.16	21.35	18.63	18.88

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Ph Morris	18,619,600	93¾	-6⅛
Pepsico	8,091,100	30⅝	+½
Ocean Engy	8,262,900	14⅛	+2⅝
Nabisco	7,551,800	28	-⅞
Micron	3,944,400	24⅛	–
Wal-Mart	3,261,400	25⅝	+½
Gen Motors	2,985,800	53	+1⅛
Merck	2,924,700	65⅝	+1⅝
Glaxo Wel	2,853,800	28⅝	+¼
Exxon	2,659,100	81⅝	+1

■ TRADING ACTIVITY

● Volume (million)

	Aug 12	Aug 9	Aug 8
New York SE	314.409	325.151	334.552
Amex	15.804	16.971	16.578
NASDAQ	381.000	472.835	480.996
NYSE			
Issues Traded	3,146	3,147	3,166
Rises	1,243	1,244	1,128
Falls	1,034	1,023	1,145
Unchanged	869	880	893
New Highs	63	70	66
New Lows	18	19	25

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Sep	667.80	665.60	-2.15	670.00	664.45	66,452	181,765
Dec	–	673.75	–	–	–	322	10,704

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Sep	20650.0	20830.0	+140.0	20900.0	20650.0	14,118	234,293
Dec	20670.0	20850.0	+150.0	20900.0	20670.0	1,049	17,901

Open interest figures for previous day.

INDEX FUTURES

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, August 13, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
TYK Corp	16.1m	1,180	+130	Nippon Steel	3.5m	343	+1
NKK Corp	5.3m	298	+4	Fujitsu	3.4m	999	+18
Mitsui Matsushima	4.8m	622	+26	Toshiba Corp	3.1m	736	+8
Chiba Bank	4.7m	905	+15	Kanematsu Corp	3.0m	612	+50
Daido Stl Sheet	4.3m	1,250	+200	Nagasakiya	2.9m	695	+61

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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NEW YORK STOCK EXCHANGE PRICES

4 pm close August 13

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
23¾	17¼	AAR	0.48	2.5	19	389	19⅝	19⅜	19½	
49⅛	38⅛	AMP x	1.00	2.6	18	4286	40⅛	38½	38⅝	-1⅞
87½	68	AMR			16	4312	84⅞	82¼	82½	-1⅝
50½	37⅞	ASA	2.00	5.0	28	493	40¼	39⅞	39⅞	-⅜
46¾	38⅛	AbbtL	0.98	2.1	20	14104	u46¾	45⅞	46	-⅜
17¼	12¼	Abitibi Pr	0.40	3.1	6	177	13	12⅞	13	+⅛
20¼	13½	ABM Ind	0.35	2.0	17	156	17⅞	17⅛	17¼	-⅜
18⅝	13⅞	Acptocain			38	8	17⅝	17½	17⅝	+⅛
50⅛	37¾	ACE Ltd	0.56	1.2	11	1280	46¾	45⅞	46¼	-½
10⅛	9⅛	ACM Gvt In x	0.90	9.0	8	171	10	9⅞	10	+⅛
7⅞	6⅞	ACM GvOpp x	0.57	8.1		73	7	7	7	
7¼	6	ACM Gvt Sp x	0.68	10.2		152	6⅝	6½	6½	
9½	8¼	ACM Gvt Se x	0.90	10.9		354	8⅞	8¼	8¼	-⅛
9½	8⅞	ACM Man x	0.90	9.7		292	9¼	9⅛	9¼	+⅛
13⅞	6⅛	Acme Elect	0.32	4.3	40	78	7¾	7⅜	7⅜	-¼
17½	13⅞	Acme Mills			8	48	14	d13⅞	14	
33¾	27¾	Acordia	0.80	2.6	18	z100	31	31	31	
21⅜	12	Acuson			68	509	13¾	13½	13¾	-⅛
19½	17⅞	Adams Expr	0.48	2.6	6	181	18¾	18⅝	18¾	
21¼	10¼	AdvMic			8	3146	13¾	13⅛	13¼	-½
11⅛	8½	Advest Grp	0.16	1.6	7	38	10	9⅞	10	
28⅛	9⅛	Advo Inc	0.10	1.05	18	1209	10½	10¼	10⅜	
50⅜	41⅛	Aegon	1.19	2.5	15	35	48½	47⅞	48½	+¼
6¾	3½	Aerflx			3	674	6	5⅞	5⅞	
66¼	57⅝	Aetna	2.76	4.2	7	8922	65¼	64⅝	65⅛	+½
34¾	28¼	AFlac	0.40	1.2	14	2483	34⅛	33⅝	34⅛	+⅛
20⅛	17⅛	AGL Res	1.06	5.5	18	1851	19⅝	18⅞	19⅛	+⅜
28	21¼	Ahmnsn x	0.88	3.5	7	2208	28	25½	25½	-½
60⅞	50⅜	AirPrC	1.10	2.0	14	1508	55⅛	53⅝	54⅛	-1
28⅝	20¾	Airbrne Frt	0.30	1.4	14	217	21⅞	21⅝	21⅞	

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Continued on next page

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FT
FINANCIAL TIMES

هكذا من الاصل

4 pm close August 13

NYSE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close August 13

AMEX PRICES

4 pm close August 13

Price data supplied by Telekurs

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AMERICA

Inflation and retail sales data hit Dow

Wall Street

The US equity market slipped yesterday after unexpectedly strong data on inflation and retail sales led to a rise in yields on the Treasury market, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was off 31.07 at 5,673.91, the more broadly based Standard & Poor's 500 had lost 2.46 at 663.31, and the American Stock Exchange composite was 1.71 weaker at 550.81. Volume on the NYSE came in at 185m shares.

Technology shares were mostly weaker with the Nasdaq composite giving up 6.80 at 1,131.47, while the Pacific Stock Exchange technology index had lost 0.8 per cent.

Both the July retail sales figure and the consumer price index were stronger than economists had forecast, leading to declines on the bond market.

The yield on the benchmark 30-year Treasury rose by nearly five basis points to 6.733 per cent, causing some worry that investors might put more money into fixed interest instruments.

Although most commentators had written off the possibility that the Federal Reserve might raise interest rates next week, the strong data raised fears of a rate increase later this year. That led to an underperformance in cyclicals, which would be hardest hit by a rate increase. The Morgan Stanley index of cyclical shares fell by 0.5 per cent, while the counterpart index of consumer non-durable companies was almost unchanged.

Deere & Company, the farm equipment manufacturer, managed to buck the trend of falling cyclical shares.

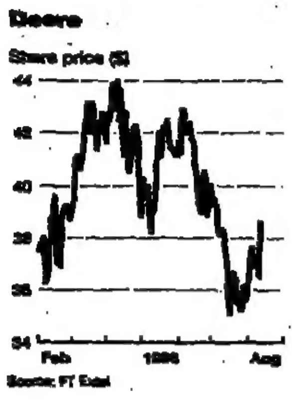
Deere added $2½ or 7 per cent to $38¾ after the company reported third quarter net income of 79 cents a share, 2 cents ahead of analysts' estimates.

Estee Lauder, the cosmetics company, gained $1¾ or 4 per cent at $40¼ after reporting earnings of 18 cents a share, in line with analysts' forecasts.

Meanwhile, tobacco companies continued to slide in the wake of Friday's jury verdict against Brown & Williamson, the third largest tobacco company in the US and a unit of BAT Industries of the UK. American depository receipts of BAT fell $1/16 to $14 11/16.

Philip Morris, the largest tobacco group in the US and a component of the Dow, fell $2⅝ at $91⅛, and RJR Nabisco shares lost $1⅛ at $26⅞.

Deere



Source: FT Extel

Canada

Toronto saw activity pick up, and firm features in financials and conglomerates helped the TSE 300 composite index hold its ground at noon, up 2.58 at 5,066.74. Volume rose from 17.7m shares to 28.3m.

Bombardier B led active stocks at midsession, up 10 cents at C$18 in 6.2m shares after a 40 cents gain on Monday. Traders said that the aerospace, transportation and recreational equipment stock had been oversold.

Buenos Aires off 2%

There was disappointment in BUENOS AIRES after the government released its fiscal programme. The Merval index was down 12.07 or 2.3 per cent at 513.51 by midday.

The government announced that it intended to impose a tough austerity package in an effort to increase revenue by some $4bn. Measures included raising taxes on petrol.

Technical analysts said that if the Merval fell through 520 at the opening, it could head lower towards the next support level of between 480 to 500 points.

Merrill Lynch followed the government's announcement with a downgrade on the equity market, from overweight to neutral, saying that the country's new measures to close its budget deficit gap fall short of investors' expectations. The US broker added that the measures were largely superficial and could even underline lingering political pressure against deep structural reform.

MEXICO CITY was barely changed in midsession trading as the IPC index rose 0.18 to 3,256.17. In SAO PAULO the Bovespa index lost 69 to 62,973 by midday.

De Beers supports S Africa

De Beers was the lead story in South Africa after the diamond producer published better-than-expected half year results. The stock jumped R3 to R135, as the gold index advanced 7.5 to 1,803.1. Elsewhere, the overall index rallied 23.3 to 6,691.8, and industrials put on 26 to 7,922.1.

De Beers also said that it saw a positive outlook for the retail diamond jewellery market, as it lifted its attributable income, excluding earnings from associates, to $482m in the six months to June 30 from $407m a year ago. Freegold was a beneficiary, adding 50 cents to R48.75.

EUROPE

Carmakers prominent in Germany, France

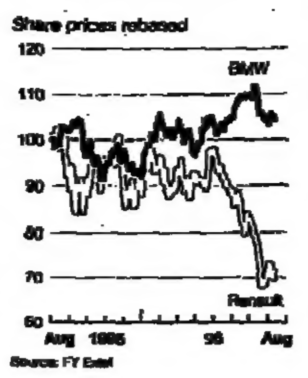
Carmakers were a prominent feature, in Germany and in France. Volkswagen did not quite make the first half DM1bn operating profit that German media reports anticipated, but a 45 per cent rise to DM891m pleased Mr Bob Barber at HSBC James Capel.

Mr Barber said that a number of items pointed to an encouraging second half, including currency factors, better liquidity in VW's manufacturing operations and improving results from former problem areas like SEAT in Spain, North America, and Skoda.

VW rose 70 pfg to DM534.50. BMW, meanwhile, fell DM8 to DM834 as the market reviewed aspects of a 10-day old report from Salomon Brothers, which saw the Rover acquisition as both a short- and a medium-term burden on the German group, and said there was a 15 per cent downside risk in the shares.

Renault was boosted to a session high of FFr113.80 after reporting better than expected first half sales, before falling back in line with the market to finish with a gain of 20 centimes at Fl 111.60. Mr François Colli, European motor analyst at Paribas Capital Markets, commented that the improvement in sales could be put down to two factors: a restocking of cars at dealer outlets, and an increase in sales of higher value models, such as the Megane and the Laguna.

BMW and Renault



Source: FT Extel

However, he cautioned that while the third quarter was also likely to show an improvement, owing to the fact that the expected ending of the "Balladur incentive" was liable to encourage fresh sales, the remainder of the year posed potential difficulties for both Renault and Peugeot, up FFr2 at FFr559.

FRANKFURT saw share price movement in the carmakers and in chemicals, where the solid half-year figures from Bayer left the big three with gains of a percentage point and more.

Turnover rose from DM4.2bn to DM5.9bn as the Dax index closed 16.51 higher at an Ibis-indicated 2,545.65. The Bayer reaction encouraged talk of sector rotation; but professionals noted that, at this time last week, the suspected switch was out of chemicals and into banks. Investors, they said, were still conspicuous by their absence.

AMSTERDAM expressed its disappointment with interim figures from Hunter Douglas by marking the shares down Fl 2.10 or 1.8 per cent at Fl 116.50. The manufacturer of aluminium window coverings said that its first half net profit was Fl 62.9m, as against Fl 50.4m for the comparable 1995 period, but this was below analysts' estimates of Fl 67.4m to Fl 68m.

The AEX index added 0.90 to 549.28 in thin turnover.

Ahold, the food retailer, gained 90 cents to Fl 86.90 in response to news that it had signed a joint venture in Thailand in which it would take over 30 supermarkets currently run by the Central Group. Ahold said that it planned to make south-east Asia its third most important trading area, after the US and Europe.

FT-SE Actuaries Share Indices

Aug 13 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1636.53	1636.94	1638.48	1638.53	1638.35	1638.03	1637.73	1637.82
FT-SE Eurotrack 200	1702.35	1702.30	1702.10	1702.69	1701.90	1701.30	1702.00	1701.88

	Aug 12	Aug 9	Aug 8	Aug 7	Aug 6
FT-SE Eurotrack 100	1633.83	1637.69	1643.77	1641.25	1641.58
FT-SE Eurotrack 200	1696.76	1700.34	1705.39	1702.51	1693.46

PARIS had difficulty in finding an incentive to move in either direction, and by the close the CAC-40 index had managed a gain of only 2.40 to 1,980.57. This followed a high of 1,988.78 and low of 1,974.45. Turnover was FFr2bn.

LVMH, the luxury goods group, went against the trend with a fall of FFr5 to FFr1,100 after a slight rise in first half sales.

The group put this down to a negative currency impact, and a slowdown in the sales of perfume and leather goods sales.

ZURICH lost some of its early strength on consideration of the US CPI and retail sales data. The SMI index closed 7.1 up at 3,630.2 after an earlier high of 3,645.8.

Attention centred on SBC, due to report half-year figures this morning: profit-taking ahead of the event left the shares SFr3.50 lower at SFr238.75.

OSLO was weighed down by heavy selling of Kvaerner, the shipbuilding, offshore construction and engineering company which reported a slump in profits on Monday.

Kvaerner A, down NKr7.50 on Monday, dropped another NKr17 or 7.2 per cent to NKr217.50 and accounted for more than 45 per cent of bourse turnover as the total index eased 2.16 to 814.37.

STOCKHOLM saw S-E-Banken signal an upturn in the fortunes of the Swedish banking industry, posting first half profits comfortably ahead of expectations.

However, the Wallenberg-dominated bank ended flat on the day at SKr57, after an earlier rise to SKr58, and the share price honours went to Skanska, which rose SKr4.50 to SKr246 as it said that it had almost completed its acquisition of the building materials group, Skane-Gripen. The Affärsvärlden General index rose 2.8 to 1,975.6.

MILAN edged forward. ENI was one of its few bright spots, gaining L163 to L6,537 on bargain hunting following a disappointing performance last week. The Comit index rose 4.64 to 601.02 and the Mibtel by 28 to 9,565.

ISTANBUL continued to retreat with investor confidence remaining at a low ebb. The composite index, which had reached a life high on July 8 of 73,000, ended down 711 to 63,491.72.

Turnover was a thin TL5,175bn, against Monday's TL7,431bn.

TEL AVIV talked about a huge oversupply in the bond market, bond prices declined sharply and the Mishtanim index, with equities bereft of buyers, fell 2.11 to 173.08 in turnover down from Shk63m to Shk58m.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Karachi sheds 2% on political, economic worries

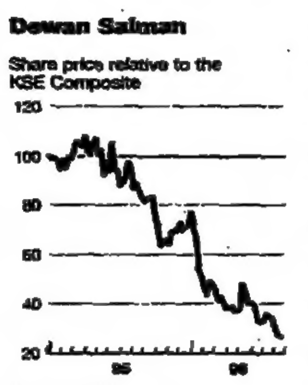
Equities in Karachi fell 2 per cent as worries intensified about the country's political and economic situation, *writes Farhan Bokhari.*

The KSE-100 index lost 33.35 to 1,452.09, bringing its loss since the government of Ms Benazir Bhutto, the prime minister, announced the budget on June 13 to nearly 15 per cent.

Many companies complained about the tax burdens then imposed. The market's fall was also exacerbated by newspaper reports that the government had recently borrowed substantial amounts of cash from domestic banks, in defiance of an earlier commitment that it was going to reduce such borrowings.

Dewan Salman lost Rs4.40 or 15.4 per cent to Rs24.10, a new low for the year, on reports that it would show a heavy fall in earnings.

Dewan Salman



Source: FT Extel

Tokyo

High tech stocks were lifted by news that Fujitsu had obtained US patent rights for its plasma-display panel (PDP) technology, and the Nikkei average rose by a percentage point, *writes Our Markets Staff.*

A rebound in speculative issues was also good for sentiment as the 225 index closed 198.35 better at 20,861.95, its day's high, after a low of 20,643.39. Brokers said that the Fujitsu news encouraged investors who had been waiting to buy high-tech shares on dips.

Volume stayed low at 267m shares, up from 216m. The Topix index of all first section stocks rose 10.19 to 1,560.71 and the Nikkei 300 by 1.57 to 294.64, while advances outnumbered decliners by 809 to 210 with 178 unchanged.

In London, the ISE/Nikkei 50 index fell 1.19 to 1408.84.

Fujitsu was the seventh most heavily traded issue on the first section, closing Y18 higher at Y999 after Y1,010 in volume of 3.39m shares. Fujitsu General rose Y72 to Y924 after being quoted bid-only, Sony Y60 to Y6,930 and Sharp Y30 to Y1,780.

At the speculative end of the market, Daido Steel Sheet Corp soared Y200 to Y1,250, its high for the day. It posted the largest percentage gain on the first section, and was the fifth most heavily traded issue, at 4.32m shares; but it had also plummetted from a 1996 high of Y2,820 in May.

In Osaka, the OSE average rose 180.72 to 21,714.35. A local speculative favourite, Kanematsu-NKK recovered all of the Y350 it lost on Monday to close at Y2,630, its high for the day.

Roundup

Worries about the stability of the government, and the activation of the heralded market support fund upset BANGKOK, where the SET index fell 9.03 to 1,110.30 in turnover of Bt2.4bn.

Foreign institutions were considering the effect that allegations of bribery in the granting of banking licences would have on the government, which has set up a commission to investigate the allegations.

Telecommunications stocks were the biggest losers, with Shinawatra Computer & Communications off Bt26 at Bt370 on reports that Singapore Telecommunications was selling stock.

SYDNEY saw demand for mines after the government announced that it would not cancel a rebate for diesel fuel in its budget, due to be announced on August 20.

Both the mining and farming industries had said that the abolition of the rebate would significantly increase costs, as well as limit future growth.

The All Ordinaries index advanced 10.8 to 2,290.3, in turnover of A$410.9m.

WELLINGTON found its excitement in Power NZ, which jumped NZ$1.80 or 29 per cent to NZ$8.00 after Mercury Energy, an unlisted company, offered a revised bid of NZ$8 a share.

The NZSE-40 capital index ended up 19.37 at 2,189.71. Utilities were encouraged by the Power NZ story, with Bay of Plenty Electricity, a subsidiary, closing 10 cents stronger at NZ$6.70.

SHENZHEN recovered a little of Monday's 8 per cent decline as bargain hunters entered the market. The B index added 2.14 or 2.4 per cent to 89.19.

Analysts said that the rise was largely a technical rebound, although it was helped by an official denial of rumours which were circulating on Monday that the regulatory commission intended to prohibit domestic investors from buying B stock, officially reserved for foreign institutions.

SHANGHAI's B index fell 1.2 per cent on profit-taking. The index slipped 0.64 to 52.86 in turnover of HK$5.7m.

MANILA saw bargain hunting and staged a rebound, the composite index closing 36.25 higher at 3,112.67 after a loss of over 52 points in the previous three sessions.

HONG KONG featured Bank of East Asia, with higher interim profits, and Consolidated Electric Power Asia (CEPA), where there were fears the Indonesian government might cancel a power plant contract with the company.

Both stocks fell, the bank by 65 cents to HK$28.25 on profit-taking, and CEPA by 35 cents to HK$14.10, as the Hang Seng index closed 16.21 lower at 11,165.67. Turnover rose from HK$3.89bn to HK$4.24bn.

SINGAPORE's Straits Times Industrial index ended 13.56 lower at 2,102.09 despite Wall Street's overnight gain but Transmarco, the trading company, bounced S$1.74 or 43 per cent to S$5.80 after Monday's 16 per cent drop.

There were rumours that a major shareholder, Sukamto Sia, was buying Transmarco shares back after selling a substantial number at a much higher price earlier this year; Transmarco's 1996 high was S$13,900.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	MONDAY AUGUST 12 1996								FRIDAY AUGUST 9 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (80)	197.66	-0.3	188.84	134.40	151.60	169.13	-0.1	4.26	198.26	189.71	135.49	152.38	169.34	212.18	177.98	182.24
Austria (24)	181.59	0.5	173.49	123.48	139.28	139.20	0.3	2.02	180.69	172.90	123.49	138.88	138.79	195.04	168.11	189.97
Belgium (27)	217.24	-0.2	207.55	147.73	166.62	162.97	-0.4	4.08	217.62	208.23	148.72	167.25	163.56	217.62	186.06	193.30
Brazil (28)	179.80	1.1	171.78	122.26	137.90	334.83	1.1	1.91	177.82	170.15	121.53	136.68	331.12	189.70	123.97	147.44
Canada (118)	160.49	0.5	153.33	109.13	123.09	159.36	0.4	2.25	159.77	152.87	109.19	122.80	158.76	165.12	134.14	148.86
Denmark (30)	315.95	0.4	301.85	214.85	242.33	245.29	0.2	1.87	314.62	301.05	215.01	241.82	244.76	315.95	276.89	286.45
Finland (23)	209.15	0.8	199.81	142.22	160.41	195.02	0.7	2.58	207.50	193.54	141.30	159.48	193.76	278.11	171.73	258.90
France (95)	189.28	-0.4	180.81	128.63	145.16	149.86	-0.5	3.22	190.05	181.85	129.88	146.07	150.67	198.39	167.70	184.59
Germany (58)	176.27	0.3	168.41	119.86	135.20	135.20	0.1	1.81	175.66	168.09	120.05	135.02	135.02	176.27	155.66	161.84
Hong Kong (59)	428.40	0.9	409.29	291.31	325.58	425.49	0.9	3.44	424.38	406.07	290.03	326.18	421.58	451.19	348.81	353.91
Indonesia (27)	189.85	-0.7	181.38	129.10	145.61	272.53	-0.8	1.74	191.21	192.96	130.67	146.96	274.66	-	-	-
Ireland (16)	285.40	0.0	272.66	194.07	219.90	249.29	-0.2	3.49	285.50	273.18	195.11	219.44	249.90	290.82	235.88	242.72
Italy (58)	76.07	0.2	72.68	51.73	58.34	86.10	-0.1	2.49	75.92	72.64	51.88	58.35	86.19	84.53	67.22	81.71
Japan (481)	147.08	0.8	140.53	100.02	112.82	100.02	0.3	0.76	145.91	139.61	99.72	112.15	99.72	164.68	137.75	145.69
Malaysia (107)	542.83	-0.4	518.61	369.12	416.35	521.09	-0.3	1.73	544.84	521.33	372.35	418.76	522.66	585.09	425.77	544.77
Mexico (19)	1251.94	1.2	1196.07	851.31	960.22	10283.13	1.1	1.29	1237.42	1184.04	845.65	951.08	10173.38	1325.65	791.89	1197.87
Netherland (19)	297.37	0.2	284.10	202.21	228.08	224.71	0.0	3.22	296.54	284.03	202.86	228.15	224.80	299.69	245.79	253.63
New Zealand (15)	80.77	-2.0	77.17	54.92	61.95	62.48	-1.8	4.34	82.44	78.89	56.34	63.37	63.61	84.71	75.94	81.77
Norway (35)	247.83	-0.7	236.77	168.52	190.03	216.13	-0.7	2.10	249.63	238.86	170.60	191.86	216.70	256.94	222.24	234.52
Philippines (22)	197.28	-0.8	188.48	134.15	151.31	257.54	-0.8	0.64	198.98	190.39	135.98	152.93	259.75	-	-	-
Singapore (44)	390.42	-0.3	373.00	265.49	299.45	254.46	-0.5	1.49	391.76	374.86	267.73	301.11	255.60	465.21	355.81	386.05
South Africa (44)	331.71	-0.1	316.90	225.56	254.41	329.37	0.1	2.27	331.90	317.58	226.82	255.10	329.02	437.76	329.57	353.87
Spain (37)	175.95	-0.2	168.03	119.64	134.95	167.53	-0.3	3.49	176.27	168.67	120.47	135.48	168.15	183.85	145.15	157.50
Sweden (48)	353.19	0.0	337.43	240.17	270.89	347.94	0.1	2.45	353.04	337.81	241.27	271.34	347.71	360.77	280.57	284.75
Switzerland (37)	247.08	-0.3	236.06	168.02	189.51	189.79	-0.6	1.61	247.82	237.13	169.36	190.48	184.95	252.34	191.24	195.88
Thailand (45)	148.11	0.1	141.50	100.72	113.60	145.32	0.0	2.30	147.96	141.58	101.12	113.72	145.32	193.95	141.28	165.07
United Kingdom (199)	239.25	0.0	228.57	162.69	183.50	228.57	-0.1	4.17	239.19	228.87	163.46	183.84	228.87	238.25	216.52	221.66
USA (625)	270.90	0.5	258.81	184.21	207.78	270.90	0.5	2.18	269.51	257.89	184.19	207.15	269.51	276.47	226.74	226.74
Americas (790)	247.59	0.5	236.54	168.36	189.90	206.20	0.5	2.18	246.30	235.68	168.33	189.31	207.12	252.43	208.19	208.19
Europe (706)	212.37	-0.0	202.89	144.41	162.88	182.52	-0.2	3.11	212.37	203.21	145.14	163.23	182.86	213.30	189.33	193.82
Nordic (138)	307.81	0.1	294.07	209.31	236.08	303.75	0.1	2.34	307.43	294.17	210.10	236.29	263.53	307.81	281.13	275.64
Pacific Basin (860)	160.17	0.7	153.02	108.91	122.85	111.36	0.3	1.23	159.12	152.26	108.75	122.30	111.05	177.01	148.86	156.31
Euro-Pacific (1566)	181.79	0.3	173.68	123.62	139.43	138.22	0.1	2.14	181.18	173.37	123.82	139.26	138.16	190.57	166.51	171.89
North America (743)	264.11	0.5	252.32	179.59	202.57	263.47	0.5	2.10	262.76	251.43	179.57	201.96	262.14	269.52	221.78	221.78
Europe Ex. UK (507)	192.77	0.0	184.17	131.08	147.85	156.06	-0.2	2.54	192.81	184.49	131.77	148.19	156.39	194.86	169.65	174.58
Pacific Ex. Japan (399)	280.27	0.1	267.77	190.58	214.97	242.94	0.1	3.05	280.11	268.02	191.43	215.29	242.68	296.88	243.50	257.31
World Ex. US (1795)	183.07	0.3	174.90	124.49	140.41	142.83	0.1	2.14	182.44	174.57	124.68	140.22	142.73	191.55	167.38	173.11
World Ex. UK (2221)	207.51	0.5	198.25	141.11	159.16	174.78	0.3	1.95	206.57	197.66	141.17	158.77	174.25	213.05	185.61	188.31
World Ex. Japan (1939)	244.69	0.3	233.77	166.39	187.67	230.51	0.2	2.55	243.93	233.41	166.70	187.49	229.93	247.55	212.82	214.07
The World Index (2420)	210.30	0.4	200.91	143.00	161.29	179.05	0.3	2.18	209.42	200.38	143.12	160.96	179.18	214.95	188.49	189.39

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General Accident

Strong Second-Quarter Performance

6-MONTHS' RESULTS

	6 Months to 30.6.96 Estimated £m	6 Months to 30.6.95 Estimated £m
General Premiums	2,299	2,179
Underwriting Result	(111)	(9)
Net Investment Income	266	240
Life Profits	46	34
Operating Profit before Taxation	194	257
Profit attributable to Ordinary Shareholders	237	202
Operating Earnings per Ordinary Share	26.9p	38.5p
Interim Dividend per Ordinary Share	11.4p	10.7p

- Operating pre-tax profit of £194m follows a profit of £138m in the second quarter.
- Excellent second quarter performance in the UK.
- US results impacted by adverse weather in both the first and second quarters.
- Second quarter underwriting profit in Canada.
- Increased worldwide underwriting deficit influenced by additional weather losses of £56m.
- Strong new business production in UK pensions.
- Current solvency margin 74%. Net assets per ordinary share 657p.

Bob Scott, Group Chief Executive, comments:

"The actions we are continuing to take to strengthen our competitive position worldwide are producing positive results in all our major business units."

General Accident plc

General Accident plc, World Headquarters: Pitheavlis, Perth, Scotland PH2 0NH

The results are also available on the Internet: http://www.ga.co.uk.

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